

TAO

Leased Territories in China

Political Science

A. M.

1915

THE UNIVERSITY  
OF ILLINOIS  
LIBRARY

1915  
T15









LEASED TERRITORIES IN CHINA

BY

WEN-TSING TAO  
B. A. Nanking University, 1914

THESIS

Submitted in Partial Fulfillment of the Requirements for the

Degree of

MASTER OF ARTS

IN POLITICAL SCIENCE


IN

THE GRADUATE SCHOOL

OF THE

UNIVERSITY OF ILLINOIS

1915



Digitized by the Internet Archive  
in 2013

<http://archive.org/details/leasedterritoire00taow>



1715  
T15

UNIVERSITY OF ILLINOIS  
THE GRADUATE SCHOOL

June 5, 1915

I HEREBY RECOMMEND THAT THE THESIS PREPARED UNDER MY SUPER-  
VISION BY Mr. Wen-Tsing Tao  
ENTITLED Leased Territories in China

BE ACCEPTED AS FULFILLING THIS PART OF THE REQUIREMENTS FOR THE  
DEGREE OF Master of Arts

Russell M. Story  
In Charge of Thesis

James W. Garner  
Head of Department

Recommendation concurred in:\*

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

} Committee  
on  
Final Examination\*

\*Required for doctor's degree but not for master's.





1515  
175

## C O N T E N T S

Chapter	Page
I. INTRODUCTION .....	1
II. KIAO CHOW .....	4
III. KWANTUNG .....	41
IV. KWAN CHOW WAN .....	74
V. WEI HAI WEI .....	78
VI. KOWLOON .....	87
VII. CONCLUSIONS .....	92
APPENDIX A. Bibliography .....	101
B. Table of Currency Values..	105





## CHAPTER I.

### I N T R O D U C T I O N .

By the term leased territory is meant a territory ceded by one state to another in usufruct<sup>1</sup> or in bail<sup>2</sup> for a certain period of time. Over such a territory the lessor during the period of lease, abstains from exercising any right of administration. However, on the expiration of the agreed term of lease, the lessor is entitled to receive back all rights and privileges which have been delegated.

The device of lease did not originate in China. The idea of applying to territorial transactions between states the conception drawn from Roman Law of a separation between proprietorship and beneficial enjoyment is not altogether new, though in its elaborate form we do not find it till we come to comparatively recent times. In middle ages, it took its primitive form of a pledge as when, in 1294, Edward I of England allowed Philip IV of France to hold Gascony by his garrisons, pending<sup>3</sup> a settlement of various disputes between the two monarchs. Again, in 1803 we find a similar case in which Sweden undertook to give the town of Wismar to the Grand Duchy of Mecklenburg-Schwerin

---

1. Cobbet, Leading Cases on International Law, Part I, P. 110.

2. Perrinjaquet, Des Cessions Temporaires de Territoires, P. 106.

3. Lawrence, Principles of International Law, P. 175.





for the sum of 1,258,000 thalers, on the condition that Sweden, after the lapse of 100 years, should be entitled to take back<sup>1</sup> the town on repayment of the money, with 3% interest per annum. Such also are the leases of different parts of his mainland dominions which the Sultan of Zanzibar granted to the British East African Company in 1888 and 1890 for 50 years, extended in 1891<sup>2</sup> to perpetuity. A similar instance is found in the Anglo--Congolese agreement of 12 May, 1894, whereby, the sovereign of the Congo State recognized the British sphere of influence as laid down in the Anglo-German agreement of 1 July, 1890 and Great Britain undertook to give that sovereign a lease of certain territories carved out of that sphere, which during his reign would<sup>3</sup> include Fashoda but would afterwards be diminished in extent. These examples illustrate the origin and development of the so-called "lease". But it is not until the application of the principle in China that we find it employed in such a manner as to render it conspicuous and important and worthy of special investigation.

In one year 1898, five territories with a total area of 2,250<sup>4</sup> square miles were leased to foreign nations; that is Kiaochow, leased to Germany, Port Arthur and Talienwan,<sup>5</sup> to Russia, Weihaiwei and Kowloon, to Great Britain, and Kwanchow Bay, to France.

---

1. Oppenheim, International Law, Vol. I, P. 221.

2. Westlake, International Law, Part I, P. 135.

3. Ibid, Part I, P. 132, and P. 136. "A lease without any rent due from the lessee and without limit of continuance is not a true letting but an alienation." Quoted from the Revue Generale de Droit International Public.

4. Captured by Japan in 1914.

5. Transferred to Japan in 1905.



The methods of acquiring of these leases were most high handed while the conditions under which these leases were made were elaborate. It is here that we find the most highly developed form of that particular type of international transaction.

All these five territories are China's front gates; all of them are strategical point d'appui; all of them are more or less commercial centres; and all of them are the starting points of of the creation of spheres of influence. Their importance to the lessor is vital and absolute and the possession of them by other powers is essentially detrimental and dangerous to the interest of the mother state. What then are the relations between these territories and the hinterland? How important are they as commercial centres? How important are they as naval bases? How is process of the creation of spheres of influence going on? What is the comparative importance of each of these territories? What are the legal and actual effects of these leases upon the sovereignty of China? What action should the Chinese undertake in regard to them? These are the main questions which this paper engages to discuss and answer.





## CHAPTER II.

### K I A O C H O W .

Kiaochow, the German leased territory in China, is situated on the coast of Shangtung Province. It consists of 193 square miles, exclusive of the bay of about 200 square miles, and of a neutral zone of 2,500 square miles. The lease of this territory to Germany was sanctioned on March 6, 1898, and was governed under German administration until the 6th of November, 1914, when it fell into the hands of Japan, as a by-product of the great European War.

Viewed from its geographical position, the influence of Kiao Chow is second only to Kwantung. It is 390 miles from Shanghai, 270 miles from Weihaiwei, 554 miles from Tientsin and about 300 miles from Port Arthur.<sup>1</sup> It takes 7 hours from Kiao Chow to enter the Gulf of Peichili; 25 hours to embark at Peiho in front of Tientsin; 23 hours to reach Temulpo on the coast of Korea ; 30 hours to cross the Strait of Korea and to arrive at the medium extremity of Japan.<sup>2</sup> The importance of its geographical relation

---

1. China's Year Book, 1914, P. 5.

2. Cheradame, La Colonisation et les Colonies Allemandes, P. 129.



to the hinterland has led Von Richthofen, Germany's wandering geographer, to urge emphatically that Shangtung is the ideal province, and Kiao Chow Bay the ideal foothold in that province for a German sphere of influence.<sup>1</sup> Geologically speaking the same author after describing the mineral resources of the province, concluded that the power which possessed Kiao Chow would control the coal supply in northern Chinese waters.<sup>2</sup> As a point d'appui,<sup>3</sup> men have long ranked it as a second Port Arthur. From its rapid commercial growth, it leads people to believe that in all probability it may become a second San Francisco.<sup>4</sup> It is due to these obvious and significant facts that Mr. Harding weightily concludes, "In the beleaguered hills that surround Tsingtao there is the key to unsuspected empire." With respect to the psychological factor, the lease of Kiao Chow is the earmarking of the home province of the Chinese national sage, Confucius. Its occupation marks the first encroachment of foreign invasion on the mainland; it is this event that leads to the so-called the year of spoils of 1898. It is no wonder that the mention of Kiao Chow and other territories thrills the Chinese soul with indignation as the name of Alsace Lorraine stirs the soul of the French.

#### Germany's Colonial Ambition as a Spur to its Acquisition

During the middle period of the 19th Century, colonial possession were undervalued in Europe, especially in Germany. In his memoirs, Bismarck declares<sup>a</sup> that Germany, having achieved national existence and power, now has no further desire but the maintenance of peace and of the status quo. So Germany remains inno-

---

1., 3., 4., Outlook, Nov., 11, 1914, P. 579, P. 575.

2. Kolonialzeitung, Jan. 6, 1898.





cent in colonial aggression until the last two decades of the 19th Century when after unification, her economic and political situation caused her inevitably to become a seeker for colonies.<sup>1</sup>

One of the urgent causes<sup>^</sup> for this change in Germany's policy is evidently found in overpopulation and emigration. This is best understood in the words of Treichke<sup>^</sup>, the fervent advocate of a Greater Germany. He lamented in an eloquent passage, that every year a quarter of a million Germans emigrated from the new German Empire. Treichke<sup>^</sup> desired that men and women who could not find room in Germany, should still remain German subjects under German rule when they were abroad. He said, again that in a country<sup>^</sup> which had colonies to which emigrants could go, the surplus energy reappeared in the Imperial balance sheet on the credit side; therefore for a growing nation, it is better to have colonies.<sup>2</sup>

Then<sup>^</sup>, too, the penetration of foreign products has inspired the young patriots to set out for lands that produce such admirable goods. Germany, yearly becoming more and more industrial and commercial, is more than any other Occident<sup>al</sup> country except Great Britain dependent on foreign supplies of food and in a lesser degree on foreign supplies of raw material. This particular aspect of Germany's economic development therefore is also pushing her increasingly in the direction of<sup>^</sup> becoming a colonial power.<sup>3</sup>

It is in these fundamental places that Germany first felt the importance of colonial acquisition due to these conditions that

---

1. Reinsch, Colonial Government, P. 10.

2. The Nineteenth Century, Nov. 1914, P. 959.

3. Colquhoun, The Mastery of the Pacific, P.405.



even Bismark was finally forced to change his efforts and attitude and in 1880 to ask the Reichstag to support private colonization. The attitude of the whole empire has changed to such an extent that the stone rejected by the builder has become the head of the corner. The common cry " too late " has been voiced in all accents, from those of the reproachful complainer to those of the belligerent partisan and agitator. Owing to the daring and decisive measures taken by Bismark, and to the enthusiastic efforts of private individuals and companies, Germany-- in 1884 was successful in acquiring six territories, namely Togoland, South Africa, Kamerum, Kaiser Wilhelmland, Bismark Archipelago, and German East Africa. But unoccupied land is limited after that period, and all Germany' possessions are tropical except South Africa which is subtropical. Can Germany be satisfied with her "Imprisoned Empire " and these unavailable lands ? The realization of the Welt Politik must lie in the domination over the temperate zone. China, after her war with France and Great Britain in 1860,, began to disclose her weakness while the war with Japan in 1894, began to shake her foundations. Thus to the Germans China seemed to furnish one of the best opportunities for the realization of the German colonial ambition.

#### Balance of Power as a Cause.

The balance of power in the Far East has been another strong factor that has set Germany to acquiring a foothold in China. Before the lease of Kiao Chow, it must be recognized that Germany was the only nation among the ambitious powers, which had decisive influence in the affairs in China . Von Buelow, in a speech given to the Reichstag, says, " It is indisputable that





without a territorial point d'appui in Easter<sup>n</sup> Asia we would be simply floating in the air, from an economical, maritime and political point of view. We require an economic entrance- gate to the Chinese market, as France has in Tonking, England in Hong-kong, and Russia in the North ..... We are obliged to endeavor to obtain similar concessions to those enjoyed by other powers. Without a territorial possession, Germany's intelligence and and the country's technical and commercial power would have been wasted and used merely as manure for foreign fields without fructifying our own garden. A station for the fleet was consequently an absolute necessity. <sup>1</sup> Kiao Chow, the Germans think, furnishes the most effective and most advantageous means for pursuing this end.

#### The Fear of Partition of China as a Motive.

It is curious to notice that Germany wanted to get a foothold in China because she was afraid that China would be partitioned. In speaking to<sup>the</sup> Reichstag Chancellor Von Buelow says, " Mention has been made of a partition of China. Such a partition will not be brought about by us at any rate. All that we have to do is to provide that, come what may, we ourselves shall not go empty handed. The traveller cannot decide when the train is to start<sup>^</sup> but he can be sure not to miss it when it does start. The devil takes the hindmost. <sup>2</sup> Such a policy seems to be a far reaching one, leading, perhaps, to partition but it becomes impossible when

---

1. The Japan Weekly Mail, March 26, 1898. A similar and more detailed statement, made by von Brandt, is found in Forum, vol. 25, p. 257-66.

2. Reinsch, The World Politics, p. 164.



we carefully examine the strength of the Chinese nationality and the jealousy among the interested nations. Kiao Chow, however, to the Germans, seems to be the sure means which enables her not to miss the train. In fact Germany has actively labored with this end in view.

Steps Taken to Seize Kiao Chow Prior to Actual Occupation.

The first account of Kiao Chow was made by von Richthofen, during his voyage to China in 1861. But no actual undertaking was planned until 1891 when the secret plan, as Mr. André Cheradame points out, was entertained by the Germans in regard to Kiao Chow. During the Chino- Japanese War in 1894, war vessels of several nations were temporarily anchored here, so the superb position of the port was familiar to every one, especially to the Germans and the Russians. From this time on Germany's taste for Kiao Chow was intensified and her statesman worked hard toward its acquisition. The active part which Germany took with Russia and France in the retrocession of Liaotung Peninsula to China was, among other things, with a view to exacting compensation, and that compensation in the German mind was Kiao Chow. During the visit of Li Hung Chang to Germany, the statesman was told that Germany was anxious to rent or buy any place upon which the two powers might agree, and that place, as understood, was Kiao Chow. The action of Germany toward Kiao Chow was further hastened by the Cassini Convention. In

---

1. R. of Rs., vol. 31, p.737. Germany's design in the Far East.

2. At the time of the German seizure of Kiao Chow, the Berliner Neueste Nachrichten asserted that after all Germany did not join France and Russia in settling the differences between China and Japan in order to strengthen French and Russian interests but rather to promote her own.

3. Cordier, Histoire, vol. 3, p. 343-47.





spite of doubt as to the authenticity of its contents, by article 9 China was said to agree that Russia might lease Kiao Chow for 15 years for the use of the squadron, but in order to avoid suspicion by other powers Russia should not immediately occupy the harbor or seize the points commanding it. The Germans were impatient at the exposure of this suspected convention. So, as "The Guide to Tsingtao and its Neighborhood " tells us, in January 8, 1897 a German expert in harbor building and engineering was sent out to China by the Berlin government in response to Diedrichs' demands and as his report was again favorable, the German government made immediate overtures to the Chinese government regarding a lease of Kiaochow Bay-- overtures, which were, however, rejected but not abandoned. With the colonial aspiration among the Germans on the one hand and Richthofen's and others, exaltation of Kiao Chow on the other, the only thing for the Germans to do in realizing their dreams was to wait for an excuse which was only a matter of time.

#### The German Occupation of Kiao Chow.

And China presented the excuse on November 1, 1897 in the death of two Roman Catholic priests, named Niel and Ziegler, living in the Chu Yi district, Yenchowfu, in the province of Shantung. On account of a long established hatred arising from the fact that the priests in question were disposed to help the native adherents against non- Christians, they were attacked by a band of twenty ruffians, supposed to be members of the "Great Sword Society ", who murdered them in cold blood. As Mr. Douglas and others point out, " This outrage differed in kind from those usually perpetrated on foreigners in that the local <sup>authorities</sup> were well-dis-





posed towards the priests, and were in no sense promoters of the crime. <sup>1</sup> These extenuating circumstances were, however, entirely ignored by the Germans who suspected the late provincial governor, Lee Pin-Hin of having instigated the action. <sup>called by Mr. Putman Weale</sup> Bishop Anzer, a German priest of the Church militant who would confound the earthly with <sup>the</sup> heavenly to serve his government', at once flashed the news to von Heyking, the German minister, Von Heyking at once got into communication with Friedrichstrasse. There was a day's interval, then back came the order that gave von Heyking his cue. For brusque opportunism in seizing a situation it stands with the telegram of Elms. "Ask for the most exacting reparation" it ran, <sup>2</sup> "and be satisfied with nothing." The Peking government, on the other hand, promptly ordered a strict search for the culprits, and in three weeks the local authorities succeeded in arresting four of the guilty persons.

But within a few hours of the receipt of the news of the mur-

---

1. Douglas, Europe and the Far East, p. 318.

2. Harding, Outlook, Wed., Nov. 11, 1914, p. 579.

Mr. Reich in his "World Politics", p. 33, says, "The importance attributed to this agency (Roman Catholics), by the powers is well known by the struggle between France and Germany for the right to protect the Roman Catholic Missionaries of the Orient. France has been the traditional protector of Catholic Christians in the East. This monopoly it has been the constant effort of Germany to break down by using all the influences which the Emperor could bring to bear at the Vatican. The Emperor has asserted his right to the protectorate over certain German communities of missionaries. And we all know how a protectorate was utilized in China, the Emperor demanding reparation for the murder of missionaries at Kiaochow and making the outrage a pretext for gaining a permanent foothold in the Celestial Empire. His exertions to gain from the Vatican <sup>the</sup> religious protectorate in Palestine and Syria have not been successful, but he has nevertheless declared it to be his right and the policy of the German Empire to protect German missionaries wherever found." It would, however, be unjust to say that Germany is the only nation which utilizes missionaries as a means for material benefit. The fact that "the flag follows missions and trade follows the flag" has been worked out more or





ders, the German squadron commanded by von Diedrichs, comprising the Kaiser, Prinzess Wilhelm, and Commorant sailed from Woosung on the 11th of November and reached Kiao Chow on the 14th. Von-Diedrichs sent a message to inform Chang Kao-Yuan, then General in Command of the Bay of Kiao Chow, saying that he intended landing a strong party of men and occupying the forts. The general retired on receiving a decree from Peking, and 600 German marines landed at the barracks of the fort.

The action which the Germans took was entirely contrary to international law. It did not appear to have <sup>been</sup> preceded by any interchange of communications with <sup>the</sup> Peking government. such as the custom of nations had hitherto prescribed. The dispatch of men of war in time of peace to make a descent upon the shores of a friendly power and seize a slice of its territory, was an act that does not fall within the <sup>proper</sup> range of the doings of civilized states in the 19th Century. There was not the slightest doubt of Germany's lending herself to such performances.

After landing, on the same day, a proclamation<sup>1</sup> was issued to the effect that, while Germany was in friendly relations with China and had no designs on the Chinese territory,<sup>2</sup> she intended to retain possession of the part occupied till due reparation was made for the murder of her two subjects. A few days later von Heyking, the German minister at Peking, drew up a series of demands, which were <sup>a</sup> transmitted to the Chinese Foreign Office.

---

less by other ambitious nations. For instance, the famous case of Pere- Berthelot was utilized by France in exacting privileges in Yunnan.

1. Japan Weekly Mail, 1897, p. 561, p. 646.

2. Does the action of lease conform to this proclamation ?



These demands include (1) the building of a memorial to the murdered missionaries; (2) the indemnification of the families of the murdered men; (3) the degradation of governor Lee, in whose province the murder took place; (4) the payment of the cost of the German occupation Kiao Chow harbor; (5) the severest punishment of the murderers and local authorities, and (6) the preference for German capital and engineers in the future railway and mining enterprises in the province of Shangtung. The desire for the lease of Kiao Chow was still veiled.<sup>1</sup>

While consenting to these demands, the Chinese Foreign Office requested the evacuation of Kiao Chow. In reply to this, Germany gave an unqualified refusal, and added that further guarantees were required for the protection in the future of the life of German subjects all over China. Taking this as a justification, Germany now openly expressed a wish to lease Kiao Chow and territory inland, a demand which was contradictory to her former declaration.

At the same time, with great ostentation Prince Henry of Prussia, the brother of the Kaiser was dispatched at the head of <sup>an</sup> expedition by the Kaiser to China. The kaiser at a banquet given at Kiel Castle on Dec. <sup>ember</sup> 15, 1897, previous to the sailing of the German squadron for China, in toasting Prince Henry, said, "The expedition which you undertake is the logical consequence of what our sainted grandfather and his great chancellor have politically organized and what our illustrious father won by his sword on the battlefield. They were naught but the first realization of the Trans-Oceanic ambition of the newly united and newly arisen Ger-

---

1. Presidential Message and Foreign Relations of the United States, 1898, p 188.





man Empire. German commerce flourishes and develops; and it can only develop in prosperity and safety when it feels safe under the Imperial power..... Imperial power is sea power; sea power and Imperial power are mutually dependent on each other, so much so that one can not exist without the other. May our citizens abroad rest absolutely assured that the protection of the empire will every where be given. Should any one infringe our just right or injure us, then up at him with your Mailed Fist ( Fahre dem mit gepanzerter Faust ), and if it be God's Will, weave for your youthful brow a wreath of laurel which no one in all the German Empire will grudge you. " Prince Henry in an extraordinary response said, " My only aim is to preach abroad the gospel of your sacred Majesty ( Das Evangelium Eurer Majestät geheiligter Person im Auslande zu künden ), to preach to every one who will hear it, and also to those who will not hear it. This gospel I will have inscribed on my banner and I will inscribe it whithersoever I go. <sup>1</sup> "

Although these Kiel speeches were ridiculed as being more suitable to heroes of melodrama, either as verging on blasphemy or as altogether incomprehensible, yet they served quite well to indicate the German attitude toward the Far East. They were, though empty, yet loud enough to hasten the lease of Kiao Chow, which took place on the 5th of January 1898, two months before the signing of the treaty, <sup>2</sup> and over four months before the Prince's formal audience with Emperor Kuan Tsu.

---

1. The two speeches are fully given in " The Japan Weekly Mail, 1898. p. 85-86.

2. The treaty was signed at Peking by Li Hung Chang, Weng Tung Ho and von Heyking on the 6th of March, 1898, see Hertslets' China Treaties, vol. 1, p. 350.



### Government under German Rule.

The administration after the lease was entrusted to the navy department, and a naval officer was placed at its head with the title of governor. The council is composed of all the heads of the administrative departments under the personal supervision of the governor and four members chosen from the civil population and appointed<sup>n</sup> for two years; the first was named by the governor, with the consent of the council, the second was chosen from among the members of the non-Chinese firms, the third from the list of taxpayers paying at least \$50 Ground Tax, without distinction<sup>n</sup> of nationality, and the fourth from the committee of the Chamber of Commerce. There were judicial officers for European residents, with an appeal to the German Consular Court at Shanghai; Chinese residents were subject to this jurisdiction only in special cases.

### Germany's Policy in Kiao Chow after Occupation.

After having surveyed the manner of Germany's acquisition of Kiao Chow, it is not hard to determine her policy of administration and its keynote may be immediately noticed from von Diedrichs' proclamation in Chinese: "Be it known to all concerned that I have come in obedience to the commands of my sovereign, his Majesty the German Emperor, who has instructed me to land at Kiao Chow Bay at the head of my forces, and seize the said Bay and all the islands and dependencies thereof. Avoid resisting whatever the German authorities shall decide to do hereafter. You should calculate the exigences of the case, and you will see that you are too weak to resist. Not only will you find it to be of no advantage to you but you will find that you will have invited destruc-





tion upon yourselves." <sup>1</sup>

Like strong personalities, Germany as well as other nations is filled with a desire to impress the mark of her genius upon the world. This is one of the things which she has been intending to do in China. In their heart of hearts there can be no truer gratification than <sup>that</sup> of hearing their languages spoken in a strange land, than <sup>that</sup> of having their customs and institutions acknowledged as superior by other races, and above all than having their grandeur and might worshipped and praised by foreign lands. Ignoring the first two, the last is best expressed in the words of von Buelow: "The best pledge for the future is, in our view, the presence of German ships of war and of <sup>a</sup> German garrison in Kiao Chow Bay. The might of the German Empire is thus constantly and visibly exhibited to the local authorities as well as its population." <sup>2</sup>

And again when emphasizing the seizure of Kiao Chow <sup>he</sup> said: "We have secured in Kiao Chow a strategical and political position which assures us a decisive influence on the future of the Far East. From this strong position we can look with complacency on the development of affairs. German diplomacy will pursue its path in the East as elsewhere -- calmly, firmly and peacefully."

---

1. The Times, Jan. 6, 1898.

2. Ibid, Jan. 25, 1898.

These reveal the fact that in all Germany's administration in Kiao Chow, the rights and feelings of the Chinese residents were disregarded. What was adopted, was adopted in the interest of the Germans. This territory before the European War broke out might be said to be a territory of the Germans, by the Germans, and for the Germans. As to the natives, in all affairs, they had no representation though they paid an ever increasing tax. There is some reason therefore why the Germans are called "red devils" in Kiao Chow. But it must be noticed that the German administration in Kiao Chow had been much milder and more reasonable if we compare it with the Russian and the Japanese administration in Kwan tung.



In short, to apply artificial force and to provide arbitrary conditions regardless of Chinese interests in the creation of a permanent commercial centre and the establishment of a permanent naval base in Kiao Chow have been Germany's primary policy, and her ultimate policy is to create a sphere of influence and interest with Kiao Chow as a starting point. In order to understand better these policies, it is necessary to have a digest of the treaty and conventions between China and Germany which defines the scope of action, and a bird's eye view of the works which the Germans have undertaken and which constitute the actual expression of these policies.

#### A Digest of Treaty and Conventions.

In the first place, China is entitled to receive rent from the German government for the lease of Kiao Chow. This is, however, considered by the Germans as only a matter of formality. In speaking to the Reichstag von Buelow has referred to this matter. "The rent" he says, "to be paid, will in no case be a large one, since it is not meant as something paid for the leased land, but is simply a formality of the nature of what jurists call a recognition payment, implying an acknowledgment of the continuance of theoretical possession on the part of the Emperor of China."<sup>1</sup>

By<sup>2</sup> the convention of 1906 the Chinese Imperial Maritime Customs collects duties at the leased port and the customs director is to be appointed jointly by the German minister at Peking

---

1. A full copy of the speech is given in Japan Weekly Mail, March 26, 1898, p. 326.

2. A full treatment is given under the heading of "Kiao Chow as a Port."





and the Commissioner of the Chinese Imperial Customs.

1

In short, within the limit of the leased 193 square miles, the Chinese government abstains from exercising rights of sovereignty during the term of the lease except the right of receiving a trifling rent and a partial power of collecting customs duties. With these exceptions Germany can do any thing as she pleases.

In regard to the 50 kilometer neutral zone surrounding the Kiao Chow Bay at high water, the Chinese reserve to themselves all rights of administration except two cases ; first , though China has the right to station troops and to take other military measures within that zone, in doing this, she must be in agreement with the German government while the free passage of the German troops within this zone is permitted at any time ; second, without the previous consent of the German government China abstains from taking any measures or issuing any ordinances. With respect to the mining and railway concession, the four articles leave China in a helpless position. It is true that Chinese merchants may take share in the formation of the Deutsche-Chinesische Gesellschaft which is established for the construction of the two conceded railway lines. <sup>2</sup> It is still true that the work of excavating coal within 10 miles along the railways may be undertaken by Chinese and German merchants combining their capitals. But the concluding section explicitly states that " if within the province of Shangtung any matters <sup>are</sup> undertaken, for which foreign

---

1. Hertslets, China Treaties, p. 352.

2. Detail treatment is given under railways in connection with Kiao Chow.





capital or assistance is invited, China agrees that the German merchants concerned shall first be asked whether they wish to undertake the works and provide the materials. That is to say only when foreign capital is unnecessary and neither the German government nor German capitalists will look at a scheme, is China graciously permitted to do as she pleases in her own territory. This, together with the conceded railways and mines, in reality constitute the prophecy of a sphere of influence in the hinterland.

Finally the provision of <sup>the</sup> return to China <sup>of</sup> Kiao Chow before expiration of lease puts China in a most difficult and indefinite position. The article runs " Should Germany ( not China ), at some future time express the wish to return Kiao Chow Bay to China before the expiration of the lease, China engages to refund to Germany the expenditure she has incurred at Kiao Chow and to cede to Germany a more suitable place! It means that China has to refund the incurred expenditure and China has to cede a more suitable place, should Germany return Kiao Chow under such conditions. The insertion of this article has two obvious aims.. (1) After a sphere of influence has been thoroughly established in the hinterland, if Kiao Chow were returned to China, it would still fall under the German influence and China would be helpless to control this separated bit of territory. But Germany would be able to gain a more suitable place and would be able to utilize the returned expenditure to build a new commercial and political centre and would be able to start another sphere of influence.. (2) We must remember that Germany leases Kiao Chow as a protection of German interests in China but what protection has she for the safety of Kiao Chow itself ? It is unquestioned that Germany has tried her





best to build strong forts on it. But can Germany do any thing to protect this isolated territory in case of unexpected conflict between the Imprisoned Empire and other powers especially England and Japan? The cautious Teuton thus made every arrangement to wriggle out, should he be forced to do so by events. With respect to the first project, conditions perhaps will never permit its realization. It is in the second aim that we find the far reaching policy of the Germans; but Japan has risen up to take measures before Germany has expressed any intention of turning it over to China.

A General Survey of Germany's Efforts in the Building up of Kiao Chow.

Kiao Chow, before the German lease, was only a small hamlet consisting of a population of <sup>about</sup> 500. Its development is undoubtedly an exceedingly difficult and most expensive task. It is here as well as in Kamerun, Togoland and other places, that we see Germany's liberal attitude, strenuous efforts and her strong courage in assuming risks in a distant territory.

From 1899 up to the Japanese seizure, a period of fifteen years, the annual average Imperial subvention for Kiao Chow is about 10,000,000 marks against an annual average expenditure of 13,000,000 marks. The most expensive fiscal year under the German administration is found in 1905-1906 when the total expenditure was 15,296,000 marks out of which sum, 14,000,000 marks constituted a subvention <sup>from</sup> the Imperial Government. During the entire fifteen years, the Imperial government has paid 156,000,000 marks in subventions, against a total expenditure of 185,000,000 marks. The enormous sum which has been spent in the building of Kiaochow



is seen in the following table.

	Expenditure Marks	Imperial Subvention Marks
1899-00	8,500,000	8,500,000
1900-01	9,780,000	9,780,000
1901-02	12,528,000	
1902-03	12,876,000	12,168,000
1903-04	13,088,000	12,421,000
1904-05	15,296,000	12,583,000
1905-06	13,273,000	14,000,000
1906-07		11,735,000
1907-08		
1908-09	12,327,000	10,601,600
1909-10	12,352,597	
1910-11	12,722,000	
1911-12	13,540,000	7,704,000
1912-13	16,640,000	8,298,000
1913-14	16,783,625	9,560,000

From the above table we see that except the period between (1902-1908) when harbors and other great works were in the process of construction, the Imperial subvention remains stationery between the minimum of 7,000,000 and the maximum of 10,000,000, while revenue and expenditure increase proportionately. The enormous increase in expenditure accounts for the prosperity of the territory and the enormous increase in revenue gives promise of a self-supporting colony. It is quite probable that a yearly surplus of revenue over expenditure may be attained as is the case in Hongkong. It might be a good thing if the Kaiser's declaration "Kiao Chow muss uns bleiben" might be realised for then Germany may reap the harvest for which she has toilsomely worked. But the chance seems in all respect to be favorable to the fortune hunting Japan.

If we are asked in what way have the expenditures been spent and from what source have the revenues been drawn, the best answer we have at our disposal is <sup>found in</sup> the Budget of 1905-6, a most active year, which is given as follows:





## Budget for Kiao Chow.

( April 1, 1905 -- March 31, 1906 )

I. Revenue  
( in pound sterling )

Sales of land .....	2,447
Direct taxes.....	4,406
Other receipts.....	24,279
Imperial subsidy.....	717,607
Total.....	748,739

II. Expenditure.  
( in pound sterling )

## Recurring expenditure

Civil administration.....	53,928
Naval administration.....	74,257
Chinese regiment.....	1,346
Rations.....	30,894
Clothing.....	10,655
Artillery and fortification...	15,595
Maintenance of public buildings.....	17,685
Horses harness, carts.....	8,865
Public worship and education.....	3,493
Hospitals and sanitary service.....	17,698
Treasury.....	5,586
Miscellaneous.....	53,556
Pension fund.....	441
Total recurring expenditure.....	293,999

## Non-recurring expenditure

Harbor works .....	170,004
Buildings and land purchase.....	96,138
Industrial dwelling.....	4,895
Forestry and regulation of streams....	3,916
Armaments .....	122,375
Bouys and surveys.....	1,958
5th instalment floating docks.....	53,845
For unforeseen expenses.....	1,609
Total non-recurring expenditure.....	453,640
Grand total.....	748,739

From the above table we learn that out of a total expenditure of 748,739 L, 223,649 L were used in the construction of harbor, and floating docks, 222,438 L were used in military and naval works and only 53,928 L for civil administration. The harbors and docks are directly related to naval administration so out of the total expenditure, 60% were spent for military and naval purposes. The fortifications, harbor and the docks further have to be continued



for many years before reaching completion.

Besides these expenditures, the Schantung Eisenbahn Gesellschaft was formed in June 1899, with a capital of M. 54,000,000 ( L 2,700,000 ), to construct the railways. Two famous mining companies, the Schantung Bergbaugesellschaft, and the Deutsche Gesellschaft fur Bergbau und Industrie im Auslande have been successively established for exploitation. The former was organized by some of the most powerful German bankers and with a capital of 12,000,000 marks ( L 600,000 ), while the latter was a Kolonial Gesellschaft, a species of chartered company, with powers conferred on it by the Bundesrath.

Thus from the year 1898 when the territory was leased up to the Japanese occupation, it is estimated that \$123,575,000 a sum which equals half of the Russian investment in Manchuria ( \$257,500,000 ) up to 1904, has been spent by the German government and the railway and mining companies acting under the government supervision in the development of Kiao Chow.

The Deutsche Asiatische Bank with a capital of 5,000,000 tls., and some minor corporations such as the Commercial Association of Shangtung with a capital of 240,000 marks and the Kiao Chow Association with a capital of 204,000 marks have also taken active part in the development of Kiao Chow.

Thus to the Germans colony acquisition has proved itself an expensive luxury. They seem to regard it worth the cost. The enormous increase in revenue has already given assurance to their expectation. And as Mr. Keller says, " By this lavishness , the Germans thought to raise the importance of the empire in the eyes of the world.





In addition to the pouring in of capital which overwhelms Kiao Chow, we find there an army of penetration of officials, soldiers, engineers, fortune hunters who call themselves patriots and who sow the seed which, they hope, will steadily "expand into a beautiful Imperial tree" on which they hope to hang "an eastern policy of a most astonishing character."

So much for the general survey of Germany's effort in developing Kiao Chow; let us now pass to a view of some of the most important works in a some what detailed manner.

#### Tsingtao as a port.

Tsingtao is the name of the port, and Kiao Chow that of the whole territory. On September 2, 1895, it was declared a free port, and the Chinese Imperial Custom House collected duties at the railway station. But in 1906 a new convention came into force whereby Tsingtau ceased to be a free port, and the Chinese Imperial Maritime Customs now collects duties here as at all the other treaty ports of China. But the convention among other things stipulates that 20% of the money so collected at Tsingtau shall be paid to the German Government. According to the statistics of the year 1912 the customs revenue amounts to 1,670,029 taels out of which 334,006 taels are turned over to Germany. Is it not interesting to observe that China has leased this territory for a trifling rent which von Buelow called simply a "recognition payment" and yet now the owner must pay 334,006 taels to the tenant for the establishment of a customs house on it? This change, which, in Mr Rockhill's words, is on each side of the nature of a special concession for a special consideration, will, however, facilitate work for both merchant and customs<sup>officers</sup>, as well as increase revenue, in



addition to placing the Kiao Chow customs house functions in  
<sup>1</sup>  
 Tsingtao on an improved footing. This together with the new cus-  
 toms arrangement in 1909 has contributed some to the promotion  
 of trade at Kiao Chow. The growth of trade at Kiao Chow from 1900  
<sup>2</sup>  
 to 1912 is seen in the following table :

Date	Import ( hk.tls. )	Export ( hk. tls. )
1900	158,598	32,282
1901	2,527,609	18,370
1902	3,678,690	105,272
1903	5,134,229	234,216
1904	3,437,897	845,302
1905	4,372,937	2,430,350
1906	7,019,263	3,540,123
1907	7,297,944	887,226
1908	8,266,562	2,707,707
1909	10,655,398	3,359,386
1910	25,409,209	17,171,415
1911	26,287,988	19,853,669
1912	29,742,731	24,999,360

From 1900 to 1912 the value of trade at Kiao Chow has multiplied  
 280 times while the customs revenue has multiplied as many as 300  
 times. Within the last five years it has risen from the <sup>twenty-second</sup> port  
<sup>^</sup>  
 in the amount of revenue that its customs receipts turn into the  
 Chinese government, to the <sup>sixth</sup> port, being exceeded in its busi-  
<sup>^</sup>  
 ness, as indicated in this unique record, only by Shanghai, Tien-  
 tsin, Hankow, Canton, and Swatow. Dairen is the seventh, being  
 260,000 tls. below Kiao Chow. Dairen of course has moved more ra-  
 pidly than has Kiao Chow. In 1907 Dairen's revenue amounted to  
 140,738 tls. but increased to 1,407,926 tls. in 1912, while the  
 revenue of Kiao Chow increased from 934,623 tls. in 1907 to 1,670,  
 029 in 1912. The rate of increase of the revenue of Kiao Chow

---

1. U. S. Consular and Trade Reports, 1906, p. 179.  
 2. Statesman's Year Book, 1902---1914.





during this period is only one sixth as rapid as that of Dairen. Although Dairen has in five years almost matched Kiao Chow in trade, it is still safe to say that except Dairen no other port in China has grown as Kiao Chow has grown, <sup>and</sup> no other port save Dairen and Shanghai can stand the pace Kiao Chow has set.

However, it should not be overlooked that the commerce of this port is not yet entirely free from the artificial conditions under which it was created. The prosperity of its trade still depends more or less on the disbursements of the government and <sup>the</sup> colonists. The frequent report of the Japanese inability to restore its commerce, if substantiated, will prove truth of this.

#### Kiao Chow Bay as a Naval Base.

The bay itself has been described as the natural entrance and exit for Shangtung and the maritime key of the province. This is a thing which Germany has hunted for years in Chinese waters. This is a thing which is essential to the realization of the Kaiser's ambition, "Imperial power means sea power." So the construction of a naval base at Kiao Chow Bay deserves immediate consideration.

As soon as the Germans took over control, the present vast scheme of fortifications, already decided upon, was inaugurated by an army of engineers and skilled workmen specially sent from home. They constructed a ring of 12 modern forts, stretching from the high, rocky peninsula of Laoshan on the north, along the thickly wooded ridges back of Tsingtao, six miles from the harbor mouth, and out again along the southern peninsula of Lingshan. They spent \$ 7,000,000 in dredging the harbor and the bay; they constructed a floating dock capable of lifting sixteen thousand tons; they sunk granite piers about 2,000 meters long, and built a modern



graving dock capable of accomodating the largest merchant ships and men-of-war afloat. In ten years \$ 30,000,000 was spent on harbor works alone. Ship building is carried on at the naval base, both for merchantile trade and naval purposes. Indeed, it would be possible, given the raw materials, to build and equip anything up to second class cruisers. The barracks built in 1908 were capable of housing 5,000 men ; and the 3,000 first sent out have b en steadily increased till before the war the regular forces defending the territory, excluding 2,500 volunteers from the settlement itself, numbered over 6,000 including a squadron of cavalry, a company of field artillery, two machine gun companies, five companies of naval artillery, one aeroplane corps of four units, and a company of native reserves. The Kiao Chow service was popular in Deutschland and young men from <sup>the</sup> best families entered it with the double purpose of serving their country and indulging their curiosity in regard to the Far East.

The military necessit of the leased territory have begun only in the present decade to make way for the industrial campaign for which it has always been the far reaching ground-breaker. Invariably up to the year before last ( 1913 ), out of an average budget of 13,000,000 marks, something like 10,000,000 marks have been contributed by the Imperial Treasury at Berlin and mainly used for these extraordinary expenditures. It is said that the Prussian officers have spent ten dollars on military works to every one dollar on the civilian population.

The two coal fields at Weihsien and Poshan which are near to





the port are averaging to-day an annual production of just <sup>a</sup> half million tons and renders Kiao Chow a good coaling station for a fleet and other ships.

Furthermore the decision of the German exploiting company, the Schantung Eisenbahn Gesellschaft, to spend \$ 12,000,000 in the erection of a vast steel and iron plant at Tsingtao makes men feel <sup>that</sup> great plans are working out in their development and approaching nearer and nearer to their practical realization. At the same meeting, on June 5, 1914, it was decided to include an arsenal in the new works. This plant, if completed, would have been able to furnish any thing essential to the formation of Kiao Chow into the strongest naval and military foothold in the Far East.

#### Railways in Connection with Kiao Chow.

Frederick List, the German economist, has long since unfolded the principle that communication, politics, and commerce must go hand in hand. Kiao Chow furnishes its concrete manifestation. It was Germany's ambition to create out of Kiao Chow a second San-Francisco, and to build in Shangtung a sphere of influence which will control the vast hinterland. How did she plan for it? Nothing short of a vast scheme of railways <sup>could</sup> accomplish that end. Imperial power means not only sea power but also means railway power. It is exceedingly interesting that in Kiao Chow we find that the Imperial power has tried to manifest itself through both channels.

In connection with the lease of Kiao Chow, China agrees to permit Germany to construct two railways in the province of Shangtung: one from Kiao Chow, past Weihsien, Chingchow, Poshan, Tsuchuan, and Tsouping to Tsinan and the Shangtung frontier; the other from Kiao Chow to Ichow and thence past Laiwuhsien to Tsinan. The rail-



way from Tsinan to the frontier of Shangtung is not to be constructed until the main line is completed and its route is still left to be determined.<sup>1</sup> The proposed line between Ichow and Tsinan was abandoned in favor of the Chinese Imperial Tientsin- Pukow Railway which is financed by the Anglo- German Syndicate and managed by the Chinese government.<sup>2</sup> The Kiao Cow - Ichow line was surveyed but further work abandoned.<sup>3</sup> So the only railway conceded to Germany requiring consideration is the line between Kiao Chow via Weihsien,<sup>and</sup> Poshan to Tsinan.<sup>4</sup>

This railway was conducted by the Schangtung Eisenbahn Gesellschaft which was organized at Berlin with a Capital of 54,000,000 marks. The main line from Tsintao - Tsinan, a distance of 256 miles was opened to traffic in June, 1904. The two branches, Chang-tien- Poshan and Tsaochuan - Taichuan respectively, were opened to traffic in 1910. Taking all together it makes a total trackage of 310 miles.<sup>4</sup>

From the opening of the main line dates the commercial prosperity of the settlement. " This is not to be wondered at. Being put in possession of a first class harbor and a railway connecting with the very heart of the most densely populated country in the world, hitherto without means of communication, the prosperity of Kiao Chow worked its own way."<sup>5</sup> The yearly value of trade at Kiao Chow has already been discussed in a former section, let us now see what proportion of the trade this railway carries since its

---

1. Hertslets; China Treaties, vol.1, p. 353.

2. The Far Eastern Review, Nov. 1909, p. 286.

3. Ibid.

4. China's Year Book, 1914, p. 213.

5. Journal of American Asiatic Association, January 1915, p.367.





inauguration :

Date	Annual passengers heads	Annual freight tons	Annual net profit marks
1904	558,868	179,270	
1905	803,527	310,482	2,063,572
1906	846,000	381,000	2,642,000
1911	909,065	717,189	4,731,238
1912	1,230,043	852,001	7,050,000

According these figures, during the last eight years, passenger traffic has been more than doubled, freight traffic has been increased more than four times while the net profit has been increased three and half times. The proportional increase in traffic of the past shows<sup>a</sup> still greater volume of transactions<sup>is to come</sup> in the future. The net profit of 1912 was high enough to compensate<sup>for</sup> the Imperial subvention, being 7,000,000 marks against 7,704,000 marks.

One of the direct effects of this railway is the retarding of the trade of Chefoo, the Chinese treaty port, which is shown in the following table :<sup>1</sup>

Date	Import ( hk, tls. )	Export ( hk. tls. )
1905	9,607,561	4,677,509
1906	7,906,839	4,806,654
1907	6,620,215	3,299,002
1908	6,182,640	3,524,592
1909	5,999,755	4,037,687
1910	15,464,159	14,731,624
1911	16,654,026	13,916,518
1912	15,872,719	12,863,731

From the above table we notice that from the opening of the railway, the imports of Chefoo decreased from 9,607,561 hk, tls. to 5,999,755 hk. tls. while exports decreased from 4,677,509 hk. tls. to 4,037,687 hk. tls. There was a sudden increase of trade value

---

1. Statesman's Year Book, 1907 -1914.



in Chefoo from 1910 due to the opening of the northern section of the Tientsin-Pukow Railway, yet after the sudden increase its trade remains practically stationary while during the same time the trade of Kiao Chow has increased 20%.<sup>2</sup> A more striking illustration of the decline of Chefoo and the rise of Kiao Chow will be noticed in the amount of revenue collected at each of the ports:<sup>3</sup>

Date	Customs revenue at Chefoo (hk.tls.)	Customs revenue at Kiao Chow (hk.tls.)
1905	871,607	545,150
1906	818,322	863,430
1907	633,243	934,623
1908	644,914	926,716
1909	748,338	1,120,243
1910	651,265	1,238,394
1911	595,914	1,251,001
1912	704,735	1,670,029

From the year 1905 up to 1912, while Kiao Chow as a port rises from the <sup>sixteenth</sup> place to the <sup>sixth</sup> place, Chefoo drops from the <sup>tenth</sup> place to the <sup>fourteenth</sup> place among the 47 ports according to the total amount of customs revenue collected at each.

Not only the maritime customs revenue shows the decline of Chefoo, but the revenue of the native customs which exists side by side with the former shows the conclusion <sup>ever</sup> more clearly. In 1909 it was estimated to be 97,609 hk.tls., it decreased to 76,262 hk.tls. in 1910, a little rise in 1911 but in 1912 it suddenly decreased to 68,823 hk.tls.

The case is also remarkably illustrated in the trade of straw

1. China's Year Book, 1914, p.223.

2. Ibid.

3. Ibid, p.139 and p. 122. However, we must admit that according to recent reports of the customs house, the trade of Chefoo during 1912 and 1913 has shown some increase and has kept up well.





braid ; of the total export of this product of home industry from the two Shangtung ports in 1903, Chefoo contributed 70% and Kiao Chow, 30%. The change took place so remarkably that Kiao Chow has entirely displaced Chefoo in this export. This is clearly shown in the following table :

Date	Kiao Chow cwts	Chefoo cwts
1908	99,701	930
1909	125,315	388
1910	119,068	25
1911	104,764	5

The railway has also enabled to Tsingtao capture practically the whole of the raw silk and ground nut trade from Chefoo.

Another important direct effect of this railway concession is found in the scheme of the Chinese Tientsin-Pukow Railway. The original concession for the railway from Tientsin to Chinkiang was granted in 1897 to Dr. Yung Wing, with permission to enlist the aid of foreign capital. Dr. Yung Wing entered into negotiations with American and British capitalists for a loan which was estimated as \$ 27,000,000 gold. The Germans aimed at the abolition of Dr. Yung's noble plan by seeking to apply to it the special privileges which were officially granted in 1898, many months later than the sanction of Dr. Yung's plan. Germany's demand was evidently a violation of the agreement which provided for German participation in foreign loans only after its signing. But Germany finally blocked further hope for Dr. Yung and the American capitalists. An agree-

1. House of Commons Sessional Paper, 1912-1913, vol. 95, p.79, p. 183.

2. The Far Eastern Review, 1909, November No. p.309.



ment was formally signed and sealed in 1898, which provided that the construction and control of the railway should be held in the hands of the Chinese government and that the Anglo - German Syndicate should furnish a loan of £ 5,000,000, some materials and engineers. The British and German chief engineers were, however, subordinated to the control of the Chinese managing director.

Having surveyed some of the effects of the Tsingtao - Tsinan Railway concession, let us now see what an important position Tsingtao occupies on account of the very important matter of railway connections.

In the first place the Tsinan- Tientsin Railway connects Tsingtao with Tientsin, Peking, Mukden, Kalgan, Saint <sup>e</sup>Petersburg, Berlin, and the rest of Europe through the northern section of the Tientsin-Pukow Railway ( $390\frac{1}{2}$  m.), Peking - Mukden Railway (527 m.), Peking - Kalgan Railway ( 124 m.), The Chinese Eastern Railway ( 1081 m.) and the trans-Siberian Railway. The projected extension ( 600 m.), of the Peking - Kalgan Railway through Suiyuanhen, Tatungfu, and Urga will render a more immediate connection between Tsingtao and the trans-Siberian Railway at Khailar. The southern section of the Tientsin-Pukow Railway (  $236\frac{1}{2}$  m.), furnishes a connection between Tsingtao and Nanking, the ancient capital of China, and thereby the Shanghai - Nanking Railway ( 193 m.) and the Kiangsu-Chekiang Railway (241 m.) connect Tsingtao with Shanghai, Hangchow and Ningpo. By way of the Yangtze River via the projected line between Nanchang and Chaochow and the Chaochow - Swatow line one can reach the coast of Fukien at Swatow. Towards the end of 1913, it was announced that the German government had concluded an agreement with China for the construction of other lines. First, the Kaomi- Han-





chwang line will draw to Tsingtao not only more iron and coal but also bean~~s~~ and wheat. Second, , a line has been projected con-  
 necting the Tientsin-Pukow Railway and the Peking-Hankow Railway  
 ( 755 m.), between Tsinan and Shunteh.<sup>1</sup> ~~T~~<sup>h</sup>is will enable Tsingtao  
 to come into direct communication with Hankow, the so-called the  
 Chicago of China ; and through the projected Hankow- Canton Rail-  
 way, Tsingtao will be able to effect indirect communication with Can-  
 ton. A more important scheme is seen in the Yenchow-Kaifen Rail-  
 way. Yenchow is already in connection with Tsingtao through the  
 Tientsin-Pukow Railway. It ~~was~~ Germany's secret plan to connect Yen-  
 chow with Kaifen so that Tsingtao may in the future have direct  
 communication on one hand with Honan, Tong~~K~~<sup>u</sup>an, Sianfu, Lanchow, and  
 Ili through the projected North- Western Grand Trunk System which  
 will, as Mr. Harding says, "one day pierce the heart of the Asiatic  
 continent from the trans-Caspian outposts of Russia three thousand  
 miles across the vast unknown deserts of Chinese Turkestan and  
 will sweep thence through the centre of China to the sea ; and on  
 the other hand, <sup>to connect</sup> with Chunking, Chengtu, and French Indo- China thru  
 the projected Sian-Chunching. -Yunnan- French Indo China line of  
 which 1,400 miles connection southward to Chungking have already  
 been guaranteed and signed. The Yenchow-Kaifen line has already  
 been surveyed by the Germans in 1910, and constitutes a branch of  
 the German section of the Tientsin-Pukow Railway. For the moment  
 the line ends at Tsiningchow but the course planned indicates that  
 it will be continued to Kaifen. <sup>then</sup> Tsingtao having this line in  
 connection with the splendid harbor which she has at her dis-

---

1. China's Year Book, 1914, p.210.



posals will naturally serve as the outlet of these vast systems."

From the above survey, it is thus safe to conclude that northward, southward, and westward Tsingtao will be all powerful as soon as these railway systems have been completed. As in Manchuria, everything here has been planned on the most extensive scale, and everywhere there are evidences that a notable future is being<sup>1</sup> thought of.

#### Other Works Undertaken by Germany.

It has been pointed out in the former paragraphs that Germany's ambition is not only to create at Kiao Chow a commercial centre and a naval base but also to create a sphere of influence in the hinterland. While under railways and military undertakings Germany's aims have been touched upon, some other miscellaneous attempts will here be discussed.

(a) Coal Mining.-- The railway concession carries with it the right of mining. The treaty stipulates that Germany can mine coal within the 30 kilometer zone. But, as Mr. Weale points out, the fields are far beyond the legal limit. The annual production was constantly increasing until 1912, it reached over half million tons or one two-thousand-thre-hundred-thirtieth<sup>e</sup> of the world production. Its annual production is presented here :

Date	Fantze mine tons	Hungshan mine tons	Total tons
1907	145,000	34,200	179,200
1908	222,450	56,600	279,050
1909	272,000	160,000	432,000
1910	230,064	252,816	482,880
1911	184,233	302,300	486,533
1912			573,676

---

1. The treatment of this section is based on the data furnished in China's Year Book, 1914, p. 208-244.





(b) Afforestation.- In Kiao Chow as in other German colonies scientific investigations of the most valuable kind have been made in coincidence with the advance of expeditions and of administrative station ; and this is found in the work of afforestation. One hundred and forty four acres of land have been put under cultivation ; a million trees and plants have been sold to natives annually. This work is very productive in Kiao Chow. An annual revenue of about 100,000 marks has been drawn from this source.<sup>1</sup>

(c) Post Office.- The Deutsche Reichspost has made its way in inland. On every German train a section of a carriage is given up to the German postal authorities. It has maintained a rate cutting competition against the Chinese post office.

(d) Attempts to secure advisorship.- It has also been stated by Mr. Weale that the Germans have been trying very hard to obtain the appointment of a German foreign advisor to the governor of Shangtung.

(e) Missionary Works.- " As in Occidental Africa", Mr. Cheradame remarks, " the German missionaries prepare for political penetration."<sup>2</sup> He even goes so far as to include missions under administrative organization. In fact Bishop Anzer, the head of the Catholic Mission in Shangtung has declared that the occupation of Kiao Chow is a matter of life and death to German missionaries.<sup>3</sup> In exciting public sentiment to aspire for the union of missions and colonial policy, the German professor, Mr. Mirbt has openly declared, " auch Mission und Kolonial Politik gehoren zusammen und wir haben Grund zu der Hoffnung, dasz aus diesen Bund gutes für unsere Kolonien erwachsen wird."<sup>4</sup>

1. House of Commons Sessional Paper, 1912-13, vol. 75, -183.

2. Cheradame, La Colonisation et le colonies Allemande, p. 127.

3. See von Buelow's Speech, The Japan Weekly Mail, March, 1898.



The present German missionary force in Kiao Chow consists of fifteen ordinary and three extra-ordinary missionaries. Although the writer believes there must be some<sup>who</sup> are sincere in their spiritual purpose yet the fact that they receive financial assistance from the government tends to oblige<sup>te</sup> them to work for their Vaterland<sup>1</sup> as well as for the Kingdom of God.

(f) Education.-- The process of Germanizing this leased territory will not be completed without a predominance of German culture. This is done in the establishment of schools. "Tsingtao," one writer remarks, "has more schools and gymnasiums than any other town of the same size."<sup>2</sup> Segregation<sup>eg</sup> between the Chinese and Europeans is rigorously insisted on. Nine schools are directly supported by the German government. Mr. Mirbt has plainly told us, "die Eroberung unserer Kolonien durch die Schulen" because, he thinks, "die Leute verlangen allenthalben nach einer bessern Bildung und namentlich nach einer Kenntis des Deutschen."<sup>3</sup> However, it must be given credit that some young men are indebted to these schools for their inspiration<sup>toward</sup> scientific research.

(g) Land Question.-- The Germanization of Kiao Chow will<sup>not</sup> be completed without the entire deprivation of land ownership of the Chinese residents. If the Chinese wishes to sell any land, they can only sell to the German government which<sup>4</sup> resells to European settlers,-- almost entirely Germans. The buyer of land must pay a tax of 33% of the cost, and if the plot of land is not sold for

---

4. ( of p. 36.) Mirbt, Mission und Kolonial Politik, p. 4, p. 71.  
 1. The German Colonial System, p. 3.  
 2. Journal, American Asiatic Association, January 1915, p. 365.  
 3. Mirbt, Mission und Kolonial Politik, p. 158.  
 4. Colquhoun, The Mastery of the Pacific, p. 409.





25 years, the owner of the land has to give notice of any intended sale and the government has the first option to buy at the owner's figure. Every land owner has to pay each year a tax of 6% of the capital value. If the land was not being built<sup>upon</sup> at a certain date stipulated<sup>in the</sup> plan of building, the owner forfeited the right of property and the government took it up, paying only half the assessed value. This was, however, changed by the order of December 31, 1903 which provides a progressive land value tax instead of forfeiting the right of property.<sup>1</sup> At any rate, within 25 years, the German government has been trying to take the entire control of land<sup>ed</sup> property in Kiao Chow out of the hand of the Chinese. Evidently Germany, under the disguise of<sup>a</sup> single tax, has done the same thing in Kiao Chow<sup>that</sup> she has done in Poland. Of course, she has justified herself in doing this that "dadurch ist die Land-speculation im Schutzgebiet von jeder Betätigung zuruckgehalten worden, und der Stadt hast das Heft der Grund-und Boden-Politik in der Hand behalten."<sup>2</sup>

#### Main Characteristics of Kiao Chow under German Administration.

It is in the characteristics of Kiao Chow that we see both Germany's strength and her inherent defects. On the one hand, Germany has practically Germanized the territory of Kiao Chow. A special commissioner for the Engineer picturesquely says, "Everywhere, every thing was German. The officials were German, the language was German,<sup>1</sup> the coinage was German. All goods not produced in Shangtung

---

1. Westm., vol. 70, p. 17-21.

2. Grotewold, Unser Kolonialwesen, p. 181.

3. This, however, is not quite true except in the Germans themselves. See p. 39.



were brought from Germany from a needle to an electric crane. There was no leakage and no exception. One remarkable thing is that pidgin German is unknown."<sup>1</sup>

But in spite of the predominance of German civilization in Kiao Chow, the territory is little more than billets for a number of officials and soldiers. In the statistics of 1913, there were 3,806 Germans out of the total white population in Kiao Chow but 2,638 of them were official persons, who comprised<sup>ed</sup> two-thirds of the German population. The place is artificially created and artificially maintained and is governed by red tape. The policy is to secure immediate and direct advantage to the mother country. The German merchants find themselves treated by their own officials like recruits in the hands of Prussian officers, of whom most are ignorant of commercial interests and have a fine contempt for trade. So although the territory was under German administration, the smallness of Germany's trade in Kiao Chow was quite insignificant as compared with Japan in Dairen and England in Hong Kong. This is witnessed<sup>to</sup> in the trade of 1910<sup>2</sup> :

	Germany's share	Total trade	% of Total
Imports	109,000 L	3,501,000 L	2.9%
Exports	17,000 L	2,369,000 L	.8%

<sup>3</sup>  
It is due to these reasons that Mr. Colquhoun draws the conclusion that the Germans merchants, however enthusiastic they may be over the colonial policy, have hitherto shown a marked disinclination<sup>4</sup> to settle or invest at Kiao Chow and that Mr. Hart aptly

- 
1. Journal of the American Asiatic Association, Jan. 1915, p. 365.
  2. Hard and Castle, German Sea Power, p. 288.
  3. Colquhoun, The Mastery of the Pacific, p. 408.
  4. Hart, The Obvious Orient, p. 226.





remarks that the population is almost all military and official ; genuine German colonists will not come out to Tsingtao on faith. Germany is surpassingly fitted for scientific colonization but it is a pity that she has stood at the same time for other things which have tended to neutralize and obscure her success and to cast ridicule upon <sup>the</sup> social sciences. This autocratic idea is certainly an inherent defect in the German system of national expansion. Kiao Chow would be far more flourishing if the German merchants might enjoy to the same degree the most complete liberty, courtesy, and consideration in the treaty ports of China. German writers have been almost unanimous in condemning this bureaucracy but as the Kaiser says, " if we wish to accomplish anything in the world, the pen will be powerless to carry it out."



### CHAPTER III.

#### K W A N T U N G.

Port Arthur, Talienwan<sup>1</sup> and the southern Liaotung Peninsula, comprising the Russian leased territory, combined under the name of the Province of Kwantung, are situated on the southern most extremity of the Province of Shengking. This territory has an area of about 1,256 square miles, exclusive of a neutral zone<sup>2</sup> and the waters surrounding the leased territory. It was leased to Russia on March 26, 1898, and ruled under her administration until New Year's Day of 1905 when the Japanese received the Russian General Stoessel's surrender of the whole territory. China's official recognition of the transfer was concluded in a treaty with Japan on December 22nd, 1905.

Kwantung has a distinct feature in the fact that unlike Kiao Chow, it has one port for naval operations and another for commercial transactions. It has Port Arthur for the purpose of the former and Talienwan for the latter.

---

1. Talienwan is also called Dalny or Dairen.

2. The neutral zone is situated to the north of the boundary of the leased territory. Its northern boundary commences on the west coast of Liaotung at the mouth of the Kaichow River, passes north of Yu- Yen Chang to the Tayang River, and follows the left bank of that river to its mouth which is included in the neutral zone.





The importance attaching to Port Arthur as a naval base is surpassed by none in the Chinese waters. Its superb position is evidenced by the fact that in the Russo-Japanese War, it took the Japanese 156 days to capture it. So far as power of resistance in modern times is concerned, it stands <sup>second</sup> only to Sevastopol which took 327 days before its fall and to Przemyśl which it recently took 200 days to capture. <sup>1</sup> Port Arthur is the key to Manchuria as 203 Meter Hill is the Key to Port Arthur. Its position is rendered more important by its nearness to Peking, the capital of China.

With respect to Talienwan, or Dairen, its rate of growth in commerce since the Japanese occupation surpasses all other ports even Kiao Chow. Mr. Langhorne has every reason to justify his statement that it is the Southampton of the East.

In every respect the leased territory Kwantung stands first in importance except only that Kowloon ranks ahead of it by reason of the immense volume of commerce at Hong Kong. It controls the outlet of coal mines which according to 1913 are more than four times as rich as those in the hinterland of Kiao Chow. A net work of 701 miles of railways, which in length is a little more than  $2\frac{1}{2}$  times the German system in Kiao Chow, is under the direct control of South Manchurian Railway Company and is in direct connection with both Dairen and Port Arthur while its connection with Peking, Seoul, Kalgan, Newchuang, Harbin, Vladivostok and the trans-Siberian <sup>a</sup> Railway is far more immediate than the Tsinan-KiaoChow system. Kwantung's mastery of the situation is certainly most powerful and most formidable.



Port Arthur, Talienwan and the Cassini Convention.

In the Autumn of 1896, the world was startled by the publication of the Cassini Convention, a memorandum<sup>1</sup> filed by Cassini, the Russian Minister to Peking, with the Chinese government in proof-form. It clearly shows the Russian intention in regard to Port Arthur and Talienwan. Article 10 says, "As the Liaotung ports of Lushunkow( Port Arthur), and Talienwan and their dependencies are important strategic points, it shall be incumbent upon China to properly fortify them with all haste and to repair all their fortifications, etc., in order to provide against future dangers ; Russia shall, therefore, lend all necessary assistance in helping to protect these ports, and shall not permit any foreign power to encroach upon them. China, on her part, also binds herself never to cede them to another country, but if, in future, the exigencies of the case require it, and Russia should find herself suddenly involved in a war, China consents to allow Russia temporarily to concentrate her land and naval forces within the said ports, in order the better to enable Russia to attack the enemy, or to guard her own position." There has been a long dispute, since its publication, as to whether it was simply a ballon d'essai or a permanent arrangement. The fact that it was denounced by both parties on account of premature publication was, however, by no means a proof that it was not in accord with Russia's real manipulations, though, as believed by best authorities, it was never ratified.

Port Arthur, Talienwan and Germany's Occupation of Kiao Chow.

---

1. For whole text of the Convention see Weale's " The Reshaping of the Far East " vol. 2, p. 439.





It has been pointed out in the second chapter that the Cassini Convention had hastened the German occupation of Kiao Chow ; it is, however, no less true that the German occupation of Kiao Chow in turn hastened and made definite the realization of Russia's manipulation in Port Arthur, Talienwan and other places. When Germany suddenly put landing parties on shore and hoisted her flag over Kiao Chow Bay, the Russians were not only completely taken by surprise but in addition they were very much enraged. A compromise must be made if disputes were to be avoided. It was when <sup>n</sup>things were at this stage that one of those memorable meetings between the Kaiser and the Czar took place. How the compromise was made is seen in the simple language : "<sup>1</sup> We occupied Kiao Chow because we desired reparation and a coaling station. We understand that the Cassini Convention was simply a ballon d'essai and not a permanent arrangement. A year and more had passed since its publication and denouncement, and you took no steps to carry out its main provisions. Therefore we were forced to the conclusion that you had reconsidered your position. It is perhaps best so. For we cannot and do not intend to retreat ; We have important interests in the Far East which must be consolidated..... Russia's true objectives are ice free ports connected by rail with her own territory. Your strength is in your many millions, and your strength must be shown more on land than on sea. Take the end of the Liaotung Peninsula; connect Port Arthur and Talienwan with your trans-Manchuria, Baikal-V<sup>a</sup>ldivostok Railway, by the straightest possible route , and you will be in a position you could never hope to occupy by seizing a detached lease

---

1. Weale, The Reshaping of the Far East, vol.1, p.344.



as Kiao Chow." So in the words of Putman Weale, "The substitution in the Russian leasing agreement of a vigorous and definite language in place of the vague and irresolute phrasing of the Cassini instrument must be directly attributed to German influence and to the use of German models."

### The Story of the Russian Occupation.

With this mutual understanding, we find on Dec. 18, 1897, one month later than the German occupation of Kiao Chow, three Russian war vessels arriving at Port Arthur. Soon after the appearance of Russian squadron, Admiral Buller of the British navy arrived at Temulpo with seven ships and ordered two ships to proceed to Port Arthur. This was however recalled on the protest from Russia. Four days later it was officially explained by Count Muravieff that the step taken was entirely a question of convenience for the ships, and had absolutely no connection with the occupation of the Bay of Kiao Chow by the Germans. The Count further stated that though Port Arthur furnished many advantages for repairing and for freedom from ice in the winter yet Vladisostok was at present furnished with <sup>a</sup> powerful ice breaker and would remain as their centre in the Far East. England which at that time had more suspicions than any other country except China over the action which Russia had just taken, seized upon the declaration of the Russian Minister by demanding firmly the opening of Talienwan to foreign trade, <sup>1</sup> <sup>a move</sup> which was, among other things, to forestall the possible Russian occupation of this port as well as Port Arthur. This struck at the root of the matter and made the Russians very indignant. So the Russian

---

1. As a condition of a loan agreement between China and England.





ambassador at London urged very strongly that if the British Government insisted on making Talienwan an open port, it would be encroaching on the Russian sphere of influence and denying Russia in the future that right to the use of Port Arthur to which the progress of events had given her a claim. At the same time the Russian chargé d'affaires told the Tsungli Yamen at Peking that if it constituted Talienwan an open port it would incur the hostility of Russia by doing so. England was thus obliged to sign the loan agreement without the Talienwan clause. But Russia did not stop with the striking out of this clause; she boldly went a step further by bringing forward, on March 7, her long cherished design of the lease of Port Arthur, Talienwan, and the railway concession from Petma on the **Trans-Manchurian** Railway to the ports on the pretext of equal rights with the German agreement which was concluded on March 6. England again protested that Port Arthur was not a commercial centre; England would not object to the Russian lease of an ice free commercial harbor connected by rail with the Trans-Siberian Railway but questions of an entirely different kind were opened if Russia obtained control of a military port in the neighborhood of Peking. The Russians, however, cared nothing for these empty words. And she had her lease signed on the 27th of March.<sup>1</sup>

#### Government during the Russian Rule.

By the regulation of 1899, the Kwantung government was placed under the jurisdiction of the Russian Ministry of War with its chief seat of administration at Port Arthur. The administration was headed by a governor, appointed and removed at the immediate

---

1. Hertslets', China Treaties, vol. 1, p. 505.



will of the Czar, who was commander-in-chief of the army and navy forces in <sup>the</sup> Cis-Amur region, Port Arthur, and Vladivostok.

Talienwan being mainly open to foreign trade, its organization and administration were placed on a separate basis from the rest of Kwantung. An Imperial order was promulgated on July 30, 1899, ordering that near Talienwan a new town named Dalny should be created. By the provisional regulations of August 20, of the same year already referred to, the organization was assigned to the Chinese Eastern Railway Company under the chief direction of the Minister of Finance, and its administration was entrusted to a prefect, to be appointed and dismissed by Imperial orders and subordinated to the governor of Kwantung. In August, 1903, however, new administrative arrangements were made; by which the Kwantung territory was combined with the Amur Province to be formed into a special viceroyalty. This existed until the Russo-Japanese War.

#### Provisions of Treaty with respect to Kwantung.

In spite of a few differences, the provisions of the treaty with respect to the lease of Kwantung bear general resemblance to the provisions of the German lease. The provisions of military, naval and civil administration within the leased territory, and the provisions of the relations between China and Russia within the neutral zone are materially the <sup>same</sup> as those concluded between China and Germany. Differences, however, are found in some places. First, should any criminal cases occur, the Chinese criminal is to be handed over to the nearest Chinese officials to be punished while in Kiao Chow, some special cases are subjected to German jurisdiction. Second, Port Arthur, unlike Kiao Chow, is solely a naval





port, only Russian and Chinese vessels are to be allowed to use it, while Talienwan, with the exception of a part within the port which, like Port Arthur, is to be reserved for the use of Russian and Chinese men-of-war, is to continue to be a trading port, where the merchant-vessels of all countries can freely come and go. Third, railway concessions are explicitly inserted into the treaty while in the case of Kiao Chow they are only arranged by agreement. In addition to the provisions for the construction of the extended line from a point on the Chinese Eastern Railway to Talienwan, the agreement of September 8, 1896 concluded between China and the Russo - Chinese Bank shall be strictly applied. This provision is significant both for commercial and strategical reasons. Among other things the agreement provides that goods imported from Russia into China by rail and exported from China to Russia in the same manner, shall pay respectively an import or export duty to the extent of one-third less as compared with the duty imposed at Chinese seaport customs houses. This was originally intended to develop the commerce between China and Russia; as applied to Talienwan, it was also conducive to the development of Russian commerce in that port. But worst of all is the <sup>eight</sup> section which provides that the preservation of order and decorum on the land assigned to the railway and its appurtenances shall be confided to police agents appointed by the company and the company shall, for this purpose, draw up and establish police regulations. The application of these two provisions would make Russia to be both commercial and military master in the leased territory and the

---

1. A full text of the Russo-Manchurian agreement Railway is found in Weale's "The Reshaping of the Far East", vol.2, p.444.



vicinity surrounding the railway line and its <sup>n</sup>braches. Fourth, in Article V. of an additional amendment between China and Russia, which was concluded on May 7, of the same year <sup>1</sup> provides that without Russia's consent no road and mining concessions shall be made in the neutral territory while in Kiao Chow, this is extended to the whole province of Shangtung. Further, without Russia's consent no concession will be granted in the neutral ground for the <sup>use</sup> of subjects of other powers. This is not found in the treaty relating to Kiao Chow. Finally, the term is fixed at 25 years instead of 99 years as it is in the case in Kiao Chow. Unlike the Kiao Chow treaty, there is no provision for the return <sup>of the leased territory</sup> before <sup>the</sup> expiration of the term but for an extension after expiration by mutual agreement.

#### Talienwan under Russian Rule.

As has been pointed out, part of this port was opened to trade according to treaty provision. Although Russia put more emphasis on military and political undertakings in the territory of Kwantung, she, however, did not neglect its <sup>commercial</sup> importance. It was M. Witte's plan to create Talienwan as the commercial terminus of the great Siberian Railway, and eventually the mercantile outlet on the Pacific of the vast Russian Empire. This is evidenced by the fact that before the Russo-Japanese War, the works at Dalny( Talienwan ), including its large docks and piers, had cost already nearly 20,000,000 rubles.

During the Russian period, Talienwan was an open port, so there was no accurate data to show its commercial growth. The trade of

---

1. The equivalent of a ruble in American dollar is about fifty one cents.





of Russia with Manchuria may, however, give a little idea about the trade condition in Talienwan :

Date	Trade value in rubles
1900 .....	56,000,000
1901 .....	51,000,000
1902 .....	38,000,000

From the above figures, we learn that the Russian trade in Manchuria appeared to be growing smaller. . But this decline was due to the withdrawal of military traffic rather than due to the Russian method of conducting business. When Russia leased the territory, and opened Dalny as a free port, she did her best to promote her commerce there. By discrimination in transportation rates, and by preventing the collection of customs duties at Dalny, she attempted to divert to that port, where her own merchants were established, the trade formerly belonging to Newchwang which was the base of the commerce carried on in Manchuria by other nations. She also took measures to increase her own imports to the Manchurian provinces. Fourteen steamers, subsidized to the amount of \$ 309,000 annually<sup>1</sup> were put in operation between European Russia, and Vladivostok, Port Arthur and Dalny. The system of advancing<sup>credit</sup> to Chinese merchants by the Russo- Chinese Bank, together with imports free of duty and favorable rates in export duties, had led Mr. Miller, the American consul, to urge that these were likely to enable Russian cotton to capture the great trade of Manchuria that was now largely in the hands of American manufacturers.<sup>2</sup> These conditions and other political considerations had caused the United States to demand in 1903 the opening of Mukden and Antung to inter-

1. U. S. Consular Reports, vol. 73, p. 40.

2. Commercial China, 1904, p. 2383.

3. Directory and Chronicle for China, p. 813-15 ; China Year Book, 1914, p. 120.



national residence and trade, and caused Japan with the support of England and the United States to demand the opening of Tatung-kao for the same purpose in order to weaken Russia's influence.

It might be well, in this connection, to say a few words about American trade with Manchuria during this period. Manchuria, at this time, imported more goods from the United States than from any other foreign country, and American imports at Newchwang between 1900-1904 amounted to about \$ 5,000,000 annually.<sup>1</sup> In 1901, out of a total of \$ 24,813,692 native and foreign imports at Newchwang, \$ 14,660,000 represented cotton goods, and of this about one-third was American piece goods. In 1902, about thirty - five per cent of the total foreign imports at Newchwang came from the United States, and the greater part of this was cotton goods. In 1903, the total foreign imports were \$ 13,314,012, and America's share was \$ 5,562,255, of which \$ 4,873,960 was cotton goods. These figures will suffice to show the position held by the United States in former years in regard to the most important import of Manchuria. The Russians were able to produce cotton fabrics almost as good as the American goods, but the 5,000 miles trans-Siberian freight was twice as expensive as the Pacific transportation. So by far the greater part of sheetings, drills, and jeans came from America. However, the prosperity only belonged to cotton goods. As to kerosene oil and wheat flour we find a steady decrease since the Russian lease of Kwantung. The importation of American kerosene at Newchwang fell from 3,172,000 gallons in 1901 to 603,180 gallons in 1902; and American flour was almost driven from the market by the Russian mills at Harbin. But these articles made up

---

1. Annals of the American Academy, vol. 39-40, p.157.





only a small part of the total trade, so it might be safe to say that during this period American trade conditions in Manchuria were very satisfactory in spite of the aggressive policy which the Russians followed

### Port Arthur under the Russian Rule.

Port Arthur was the naval base as distinguished from Talienwan which was devoted mainly to trade. Russia re fortified this port and made it into a great naval and military stronghold. From the time of the lease up to the Russo- Japanese War, fifty nine permanent forts, including such famous forts as the 203- Metre Hill, Erlingshan and Signal Hill were built; 546 guns, including 54 of large calibre, were mounted; 5 great battleships, 14 gunboats, and some 50 <sup>m</sup>all vessels were placed in this harbor. These actual undertakings have already shown to us how tremendous an energy Russia had put in <sup>to</sup> the building up of Port Arthur.

### Railway Concession under the Russian Lease.

The treaty provided that Russia was allowed to extend the Chinese Eastern Railway to Talienwan. In order to understand the importance of this extension, it might be well to say a word about the original Chinese Eastern Railway. The construction of this railway together with the privilege of exploitation was conceded to the Russo- Chinese Bank in 1896. The main line <sup>1</sup> begins at a point on the trans- Siberian Railway, Manchowli, <sup>runs</sup> via Harbin, and ends at Suifengho, the point of continuation of the trans- Siberian Railway to Vladivostok making a total of 921 miles. The ex-

---

1. China's Year Book, 1914, p. 211 and p. 234.



tension starting from Harbin, consists of 608 miles of which 439 miles from Changchuen to Port Arthur are later known as the South Manchurian Railway after having been transferred to Japan. It was stipulated in the original agreement that the line was to be the property of the Chinese Eastern Railway Company for eighty years upon the expiration of which time it reverted to China without cost. It also provided for the purchase of the line in 36 years after it was put in operation at a price representing the cost of the line and interest. These provisions apply to the extension line.

The construction of the line was pushed ahead rapidly and by the beginning of the Boxer outbreak, with the exception of a number of bridges, it was practically finished. During the Boxer trouble much of the line was destroyed and especially the extension which is between Port Arthur and Harbin. The work was, however, renewed with vigor and in the fall of 1901, the Chinese Eastern Railway together with the extension was completed. The entire system cost \$ 150,000,000 out of which sum \$ 55,000,000 were used in the construction of the extension line. This is exclusive of the 250,000,000 rubles spent in the building up of Port Arthur, Dalny and Harbin, and other enterprises outside the strictly railway expenditures.

This railway is of utmost importance. It connects Kwantung with Manchuli, Vladivostok, Harbin, the so-called Moscow of China, then to Saint Petersburg by way of the trans-Siberian Railway, and finally with Peking through the Peking-Mukden Railway. An article in the Far Eastern Review for May, 1909 says, " This was the link which was to bind the Pacific littoral with the great trans-Siberian Railway, through Chinese territory in northern Manchuria,





thus avoiding the greater task of following the crooked Amur River in the endeavor to seek an outlet to the sea. At the same time, it created a new line of attack and approach to the goal of Peking." So not only the Point of Regent Sword ( Port Arthur ) was under its influence but the whole of Manchuria and the National Capitol was at stake.

And finally, the building of <sup>the</sup> railway carried with it the right of mining in regions both along the railway and independent of the railway, and also the privilege of guarding the railway. The cost of policing the railway alone had been 24,000,000 rubles, or \$12,000,000, Policemen were soldiers and soldiers were policemen. This military police force along the railway had been found to be most effective in carrying out Russia's underhanded plan.

#### The Russo-Japanese Conflict.

It was unfortunate for Russia that she was not the only one who looked toward Kwantung. Her plan was magnificent but her adversary was also pressing. The fact that Russia took an active part in the retrocession of Liaotung Peninsula to China and again tried to lease it from China for herself was a thing that Japan never forgot.

For , Japan's expansion into the said territory was more natural and more urgent than Russia's. Her population since 1828 up to the Russo-Japanese War had been almost doubled. In 1828, Japan had only a population of 27,000,000 ; in 1875, of 34,000,000 and in 1904, of 47,000,000.<sup>1</sup> The growth of population is one of the most important factors that caused Japan's expansion to conflict with Russian

---

1. Kasakawa, The Russo-Japanese Conflict, p. 2. According to



interests.

Further, the development of Japan seemed to lie in the direction of industry and trade rather than of agriculture. Less than 13,000,000 acres of land or 13% of the extent of whole country were under cultivation at that time while the arable area of the land cannot be possibly increased by more than 10,500,000 acres. It is evident that the per capita share of the arable land is even less than the corresponding rate in England and less than half of that in China. The tenants live from hand to mouth and cannot always afford even the necessary fertilizers and the proprietor's profit hardly rises above 5% while the capital employed pays an interest of 15% to 30%. This condition has directed the Japanese mainly into commercial channels. So her trade with foreign countries increased from 49,742,831 yen in 1873 to 606,637,959 yen in 1903. Manchuria was then considered by far the most important place for her commercial expansion; in order for the Japanese trade to flourish in the Manchurian market, it was thought very desirable to have control of its gate-way.

Finally, the Japanese have fed themselves with the same national as delusion, have other ambitious nations. They believe that in order to become a great power they must not hesitate to seize territory at the expense of others. They believe that the greatness of Japan must lie in her domination over the Continent. Imperialism means Continentalism and Continentalism must be accomplished by Militarism.

---

1910, the Japanese population has increased up to 50,984,000. During the six years between 1904 to 1910 Japan's annual increase in population has been seven-tenth millions.





These urgent factors together with the intolerable aggression of Russia in Korea and in Manchuria rendered a war inevitable. Japan seemed to be silent at the retrocession of Liaotung but her long preparation for the war was too obvious if we examine the following budget ;

Date	Total expenditure yen	Military expenditure yen	%
1894-5	78,128,000	20,662,000	26.4
1895-6	85,317,000	23,536,000	27.6
1896-7	168,856,000	73,248,000	43.4
1897-8	223,678,000	110,542,000	49.3
1898-9	219,757,000	112,427,000	51.1
1899-0	254,165,000	114,212,000	44.9
1900-1	292,750,000	133,113,000	45.4
1901-2	266,856,000	102,360,000	38.3
1902-3	289,226,000	85,768,000	29.7
1903-4	244,752,000	71,368,000	31.7
1904-5	223,181,000	69,433,000	31.1

From the above table we notice the sudden increase in Japan's army and navy expenditure after 1896 ; we notice that from 1896 to 1905 the army and navy covers an average of 40% of the total expenditure. She prepared for the war for nine years. She prepared for the war because she thought war was the only means which would enable her to get control over Kwantung-- the gate way to Manchuria and eventually the gate way to her Continental Policy. on the other hand, an ice free port such as Port Arthur and Talienwan linked with her vast empire was considered as an absolute necessity for Russian expansion. So both nations had vital interests at stake; both nations were fully prepared for a struggle , and both nations believed that the settlement of this dispute could be found only in war. This began on the night of February 8, 1904.

#### Transfer of Kwantung to Japan.

It is not the scope of this paper to discuss the war between



Japan and Russia. In a word, the war has settled the dispute over this territory and other things at least for the time being. By the treaty of Portsmouth, Russia agreed, among other things, to transfer Kwantung and <sup>the</sup> railway and mining rights to Japan, provided that China would consent thereto. A conference was called between Japan and China subsequently. Although no outward friction developed at the conferences, it was well known that China acceded to the treaty with great reluctance, especially in the matter of the transfer of Kwantung to Japan. China would have preferred to have rescinded this obnoxious lease together. But she was not successful and a <sup>1</sup> treaty between China and Japan was concluded on December 22, 1905, whereby the Chinese Imperial government consented to all transfers and assignments by Russia to Japan by articles V and VI of the <sup>2</sup> treaty of peace.

#### Government of Kwantung under Japan.

According to the Japanese Imperial Ordinances relating to the government of Kwantung and offices subordinat<sup>e</sup> to it, issued on September 1, 1906, the Governor-General<sup>ship</sup> is to be filled with either a Lieutenant-General or full General with the highest official ranks accorded to him. The Governor-General governs Kwantung Province, and has command of <sup>the</sup> troops under him and directs administration, subject to the supervision of the Minister of Foreign Affairs. The Governor-General<sup>a</sup> is authorized under special commission to conduct negotiations with the Chinese local authorities; <sup>he</sup> shall receive the

---

1. Hertslets, China Treaties, vol. 1, p. 392.

2. Ibid, ..... p. 610. Article V refers to the transfer of the lease of Kwantung; article VI refers to the transfer of the Changchun- Port Arthur Railway and of coal mines.





instructions of the Minister of War and of the chief of the General Staff and of the inspector General of Military Education in matters relative to the military administration and personnel.

#### Port Arthur after the Transfer.

The importance of this port as a military and naval base has been touched upon in former paragraphs. Riojun, as the Japanese call it, is now the headquarters of the Japanese civil and military administration in the province of Kwantung. The town is divided into two parts, the old, the new. The forts and harbors built by the Russians are repaired and more fully and adequately equipped. On July 1, 1910<sup>1</sup>, the western harbor was thrown open to the ships of all nations with a view to fostering international trade, or better to fostering Japanese trade. By the opening of the Dairen-Port Arthur Branch Railway, the journey between these two ports occupies only one hour and a half by train. This will allow the military authority at Port Arthur more readily to exert influence in helping to promote Japanese trade at Dairen.

#### Dairen after the Transfer.

The name Dairen itself begins with the transfer. This port was formerly called Talienwan and Dalny. The most distinguished feature that characterizes Dairen as soon as the transfer was made was the fact that Japan uses her governmental and military control of the place to get everything worth having while her regulations kept competitors out. The purpose of the government respecting trade in Kwantung and Manchuria as printed in newspapers, is sum-

---

1. Directory and Chronicle for China, p. 818.



med up by Mr. Millard in four articles, as follows:

Article 1.-- The government to guarantee a loan of yen 6,000,000 at 4%, to be advanced to Japanese merchants doing business in Manchuria ( including Kwantung ), to assist them in establishing a trade for Japanese goods.

Article 2.-- The Japanese goods destined for Manchuria to be delivered upon credit under certain limitations.

Article 3.-- The South Manchurian Railway Company to carry such goods free, or at one half the usual rate, for one year.

Article 4.-- Maritime freightage in Japanese ships carrying Japanese goods to Manchuria to be free, or at one half the usual rate, for one year.

Mr. Millard further says that no duties are being charged on Japanese goods imported from Japan.

This sharp discrimination, however, did not last very long because it led the Diplomatic Corps at Peking to urge that steps be taken to have the Chinese Customs House established at Dairen which has formed a customs district under the Chinese Imperial Port since July 1, 1907,<sup>2</sup> with arrangements the same as those at Kiao Chow.<sup>3</sup> Dairen is the chief customs district but it is not the only customs district in Kwantung. It has outstations at Kinchow, Pulantien, Pitzemo, and Port Arthur.

Dairen is recognized as the most rapidly growing port in modern China, and<sup>it</sup> is worth while to notice its volume of trade during re-

---

1. Millard, America and the Far Eastern Questions, p. 191.

2. China's Year Book, 1914, p. 120.

3. See Chapter II. This arrangement has removed the tariff discrimination at Dairen but Japanese products which reach Korea thru Gensan are brought into Manchuria by way of Chientao without duty being paid although this route is more expensive.





cent years.

Date	Imports in hk.tls.	Exports in hk.tls.
1908	17,215,936	7,342,402
1909	12,239,563	22,318,144
1910	18,671,515	20,183,290
1911	24,012,724	24,184,154

From the above table, we learn that the trade at Dairen is exceedingly prosperous. But the prosperity belongs to only one nation. Although Germany, Great Britain and Belgium have shown a little increase in their trade at Dairen, all the rest have suffered severely, and worst of all is the trade condition of the United States in this territory. A glance at the following table will give us some idea of the situation.<sup>1</sup>

Date	Imports from Japan	Imports from U. S.
1908	10,155,417	5,599,186
1909	10,354,275	81,272
1910	13,471,160	464,338
1911	18,442,938	291,540
1912	18,486,000	
1913	20,024,000	

During the period from 1908 up to 1911 Kwantung's imports from Japan has nearly doubled while that from the United States has decreased over 93 per cent. It is curious to notice that in spite of the temporary decline in the total imports to Kwantung in 1909 Japan's imports to this territory showed an increase of two hundred thousand hk.tls. In 1911 more than three-fourth<sup>2</sup> of the total imports and exports were in the hand of the Japanese. It is true that cheaper labor, cheaper cost of production and cheaper rate of

---

1. Berichte, Deutsches Handels, Archiv 1912, part 2, p. 642.  
 2. See the first table of this page.



transportation have made the situation more favorable to Japan yet Mr. Weale is justified in saying that Manchuria is practically a closed market when we consider discrimination in rates of railway transportation and the delay of fixing trains for goods other than Japanese.

A Study of the Population in Kwantung and Manchuria.

From the year 1908 to 1913, a period of six years, the number of Japanese in South Manchuria has nearly doubled. This overwhelming immigration is not only a matter of natural movement but also a policy<sup>developed</sup> by conscious efforts. The Japanese population in Manchuria<sup>1</sup> is seen in the following table :

Date	Number of Japanese
1908	46,942
1909	53,906
1910	62,338
1912	73,568
1913	82,978

According to the census of 1913, these Japanese immigrants are<sup>2</sup> distributed among the following places in Manchuria :

Location	Number of Japanese
Kwantung	47,162
Mukden	13,969
Changchun	6,208
Antung	6,878
Newchwang	6,358
Harbin	1,413
Kirin & Tsi-tsihar	990

---

1. Japan Year Book, 1914, p.713 and p. 39.

2. Ibid, p. 38.





The situation will be more clearly perceived when we make a comparison of the Chinese and Japanese population in Dairen and Port Arthur, the two principal cities in Kwantung. This comparison is here presented <sup>1</sup>:

	Japanese	Chinese
Dairen	29,395	20,338
Port Arthur	9,637	8,222

The writer has not found any other place in China where the aliens exceed the natives<sup>2</sup>, except Port Arthur, Dairen, and Harbin where the Russians have the majority.

This constant pouring in of Japanese population has both economical and political ends in view but its effects do not stop here, and its influence tends to be detrimental to the already existing moral order. An English missionary, is quoted by Mr. Millard as saying, "<sup>2</sup> I am very much disappointed at some results of the Japanese immigration..... and the presence of thousands of Japanese men of low character and immoral women who openly ply their avocation in the streets of cities and towns, are corr<sup>P</sup>uting influences new to the country, or only felt before in a limited degree". However, it must be admitted that such a statement is by no means true in all cases and many of the Japanese immigrants are satisfactory at least so far as private life is concerned.

#### Finance in Kwantung.

The financial condition in Kwantung is very misleading at the first glance at the budget. The budget excludes military expenses

---

1. Japan Year Book, 1914, p. 713.

2. Millard, America and the Far Eastern Question, p. 222.



on the one hand and the profit of the South Manchurian Railway Company on the other, which two items must be taken into consideration if we wish to have a clear idea of the financial condition in Kwantung.<sup>1</sup>

The ordinary revenue of Kwantung is drawn from taxes, public undertakings, state property, revenue stamps and miscellaneous receipts. Public undertaking and state property form the greatest items in ordinary revenue, which are estimated to be 1,626,000 yen or more than four-fifths of the total ordinary revenue in the budget of 1914- 1915. The extra<sup>a</sup>-ordinary revenue consists mainly of the <sup>proceeds from the</sup> sale of state property and of appropriation<sup>s</sup> from the central treasury. The first consists largely of lands transferred by the Russians and bought from the Chinese. The total extent of land ( in Manchuria as well as in Kwantung ), belonging to the South Manchurian Railway Company is 70.54 square miles or 45,156 acres. So far as public land in Kwantung is concerned, its annual sale is given as follows :

Date	Value yen
1908-09	1,200
1909-10	1,200
1910-11	17,616
1911-12	18,000
1912-13	777,000
1913 <sup>0</sup> 14	10,000
1914-15	26,000

The annual Home Treasury subvention has been from 2,307,000 yen to 3,964,000 yen. The total revenue according to the budget of 1914-1915 is 4,437,000 yen.

---

1. Japan Year Book, 1908-09, p. 573; 1910, p. 633; 1912, p. 662; 1913, p. 683; 1914, p. 714.





With regard to expenditure, the largest items in the budget of 1914-1915 are communication expenses, being 1,050,000 yen, police and prison expenses, being 910,000 yen, etc. These make a total expenditure of 4,437,000 yen.

The point the writer wants to get at is that the 4,437,000 revenue against the 4,437,000 yen expenditure does not represent the true financial condition here.

In regard to expenditure, the navy in Kwantung and Manchurian waters in 1913-1914 costs 966,000 yen and the garrison in said regions cost Japan 4,660,000 yen. An expenditure of 5,500,000 yen is not <sup>a</sup> so small <sup>as</sup> sum to be neglected.

The 5,566,000 yen <sup>for</sup> military expenses, being entirely supported by the government, together with the Home Treasury subvention of the same year (1913-1914), makes a total expenditure of 8,674,000 yen. Now Japan is not a rich country. How can she do this year after year? She has no capital at hand but she has a machine to manufacture it. She has a South Manchurian Railway Company. This company yields in the fiscal year of 1913-1914 a net profit of 7,167,000 yen. This sum has practically covered all the expenses which Japan has incurred in Kwantung and Manchuria, and it is believed that this company will yield an ever-increasing profit to offset governmental expenditures. It is true that the profits are distributed not wholly in the payment of dividends to government shares but one must confess that the company is run by the government, its officials are appointed by the government and its profits must be dealt with as a part of national finance rather than a private gain. It is further true that the garrison and navy in Manchurian waters are not solely for the protection of Kwantung,



and the South Manchurian Railway Company manages things not only in Kwantung but also in the entire South Manchuria ; but the situation is such that Japan's manipulation in Manchuria is for Kwantung , and that in Kwantung is for Manchuria; the financial conditions in the two being so intermingled together and so complex that it is absolutely impossible to treat the one without taking the other into consideration. So the actual finance in Kwantung and Manchuria is shown in the following table :

### I Receipts

Date	General revenue yen	Subvention yen	Net profit of S.M.R.Co. yen
1907-08	4,386,000	3,000,000	1,087,988
1908-09	4,653,802	3,120,000	7,375,734
1909-10	4,879,489	3,964,000	
1910-11	4,867,988	3,615,000	7,161,000
1911-12	4,984,926	3,643,000	4,928,000
1912-13	5,246,000	3,122,000	4,926,000
1913-14	5,739,000	3,047,000	7,167,000
1914-15	4,437,000	2,307,000	

### II Expenditure.

Date	General Expenditure yen	Garrison Exp. yen	Navy expenditure. yen
1907-08	4,386,293		
1908-09	4,653,802		
1909-10	4,879,489	5,713,000	1,115,000
1910-11	4,867,988	5,296,000	1,091,000
1911-12	4,984,926	5,009,000	1,167,000
1912-13	5,246,000	4,497,000	1,095,000
1913-14	5,697,000	4,660,000	966,000
1914-15	4,437,000		

### The South Manchurian Railway Company.

After the South Manchurian Railway between Changchuen, Dairen, and Port Arthur had been transferred to the Japanese government by Russia<sup>1</sup> with the consent of China, a company named Minami Man-

---

1. The transfer took place on August 1, 1906 .





shu Tetsudo or South Manchurian Railway Company was organized by an Imperial decree to operate this line. By June 1906, the establishment of this company was formally announced. The organization Committee held its first meeting on August 10, 1906. It was then considered as a private company of a special character but on April 1, 1907, the Field Railway Office formally transferred the railways and all belonging to the company. The control of the railways was transferred to the Minister of Communications in July 1908, and subsequently to the Imperial Railway Board.

With respect to the distribution of shares, the Organization Committee, during the first meeting of 1906, decided that the company should be capitalized at 200,000,000 yen, the government to receive 100,000,000 yen in shares for (1) railways already constructed, (2) all properties accessory to the above railways and (3) coal mines at Fushan and Yentai. The remaining shares were offered to Japanese and Chinese objects. The Chinese, however, failed to avail themselves of the opportunity to purchase shares. The company raised a loan of 8,000,000 L in 1908 in Europe, and the capital actually paid in by the share holders was only 2,000,000 yen. In January 1911, foreign loan of 60,000,000 yen was floated in London, 20,000,000 yen to repay the short term loan, and the rest for reconstructing the Antung-Mukden Railway. It is curious to notice how Japan works her way by the utilization of foreign capital. For the investment, the government further gua-

---

1. Excluding the railway stock now in use, rails of the Mukden light railway and accessories.

2. Excluding the property in the leased territory.

3. The Far Eastern Review, 1909, Nov. No., p. 288.

4. Ibid, p. 289.

5. Japan Year Book, 1912, p. 664.



1  
 rantee\$the profit of 6%.

Such is the history and the capitalization of the South Manchurian Railway Company. But is it only a railway company ?

In its administrative system, we find that the government reserves the right of appointing members of the administrative body, except the auditors who are elected for three years at the general meeting of shareholders. The term of the president and vice president is five years, that of directors is four . Although the government must select them from among shareholders of at least 50 shares yet beyond this limitation, the government has sole control over its administration. So viewed from its relations to the central government, the company is not only a business corporation but also a governmental agent.

With respect to the <sup>u</sup>functions the company performs, the company controls not only the railways but all sorts of business. It engages in mining, in marine transport, in harbor business, in warehouses, electric and gas works. It sells on consignment the principal goods carried by rail. It controls the construction and administration of land and houses on the land belonging to the railways. It is empowered to make the necessary provisions for education, health, and engineering works within the limits of the land belonging to the railways. It is also entrusted to collect fees from the inhabitants within this region to defray expenses of above. So, from its true nature and scope, the company is not only a railway company but also a colonial administrator. Besides the policing power which is under the supervision of the Kwantung government,





and the judicial power which belongs to the Consul, within this region, the South Manchurian Company is able to do anything.

Japanese Railways within and in connection with Kwantung.

Japanese railways within and in connection with Kwantung under the direct control of the South Manchurian Company consists of two lines: (1) the Changchuen-Dairen line and its branches which have been transferred by Russia, and (2) the Antung-Mukden Railway of which the right of control has been given by the agreement between China and Japan. Besides these, there are two other other lines, named <sup>the</sup> Changchuen- Kirin Railway and the Simmintun-Mukden Railway of which half of the capital is borrowed from Japan but the control is vested in the hand of the Chinese.

At the end of 1913, other attempts had been made by Japan for the construction of a network of railways in South Manchuria.

The Changchuen- Dairen line, being transferred by Russia, consists of  $439\frac{1}{2}$  miles. It opened to traffic in 1907. Besides this  $439\frac{1}{2}$  miles, it has many branches : one branch known as the Suchiatun-Fushan Collieries, consists of  $34\frac{1}{2}$  miles; the second branch, Tashikiao-Yinkow,  $13\frac{1}{2}$  miles, and finally, the Choushuitze-Port Arthur line,  $31\frac{1}{2}$  miles. These are all of standard guage. The administration of this main line and its branches is based on the original agreement between China and the Russo- Chinese Bank, concluded in 1896. It is to be the property of the South Manchurian Railway Company for the remaining years of the eighty years, dated from the operation of the Chinese Eastern Railway, upon the expiration of which time it reverts to China without cost. If China should wish to purchase the line before its expiration, she can do so after the line has been put into operation for 36 years by paying a



price representing the cost of the line and interest.

The Antung-Mukden Railway came into existence to meet the exigences of the Russo-Japanese War, and was therefore hurriedly constructed. Subsequently, under article VI of the additional agreement between Japan and China dated December 22, 1905,<sup>1</sup> Japan was given the privilege of improving and operating the Antung-Mukden line for a period of 15 years from the date of the agreement, after which the Chinese government acquired the right to purchase the line at the price determined by valuation and arbitration. The Japanese, however, contr<sup>s</sup>ue improvement as reconstruction, and proceed<sup>ed</sup> to relocate the line, and change its gauge. This is both a violation of <sup>the</sup> agreement and a blow at the Open Door Doctrine. Mr. Rea says, " It is significant that not one official protest was raised by any of the powers against Japan's move. The two powers professing the greatest adherence to the Open Door Doctrine, Great Britain and America, were conspicuous by their silence and ap<sup>a</sup>parent acquiescence in Japan's action."<sup>2</sup>

This line, consist<sup>ing</sup> of 162 miles, was formerly under the control of the military authorities until its transfer to the South Manchurian Railway Company, in December of 1906. It was opened to traffic in August 1908.<sup>3</sup> Its conversion into broad gauge was completed by November 11, 1908.

These two lines with branches constitute a total millage of 701 miles. They traverse one of the richest areas in the world. Their connections with Korea, Siberia, and North China have made Japan the master of the situation.

- 
1. Hertslets', China Treaties, vol. 1, p. 395.
  2. The Far Eastern Review, Nov. 1909, p. 295.
  3. Ibid, p. 296.





In this connection, it might be well to say a word about the attitude which the United States took toward these railways and the Russian system in Manchuria. Since the Chinese Eastern Railway and the South Manchurian Railway furnish the gravest danger of future conflict, the United States in 1910, undertook to propose the neutralization of these two systems. But the plan failed to be carried through because both Japan and Russia strongly objected to it.

The third and fourth lines left for our discussion are the Changchuen-Kirin Railway and the Sinmintun-Mukden Railway. The Changchuen-Kirin Railway is 80 miles long. These two lines are under the direct control of the Chinese government, but owing to the Japanese influence over them, some thing must be said if we wish to have a clear idea of the situation.

Prior to 1907, the Sinmintun-Mukden Railway was run by the Japanese. As this line forms a part of the Peking-Mukden Railway, it is of vital importance if China herself could have control over it. So by the treaty of April 15, 1907<sup>1</sup>, the Chinese government purchased the Sinmintun-Mukden Railway by paying 1,990,000 yen, and on the following conditions:

1. The Chinese government in constructing the railway east of Liao ( part of the Sinmintun Mukden line ), and the railway between Chanfchuen and Kirin, shall borrow half of the funds from the South Manchurian Railway Company. The term of redemption of the loan shall be 18 years with regard to the loan relating to Sinmintun-Mukden Railway east of the Liao, and 25 years with re-

---

1. Hertslets, China Treaties, vol. 1, p. 397.



gard to the loan relating to the Kirin-Changchuen Railway.<sup>1</sup>

2. With respect to the future extension of the Changchuen-Kirin Railway, in case of <sup>China</sup> lacking funds, Japan shall be asked for the loan unless China can construct on her own account; thus eliminating all other countries to compete with Japan.

3. During the term of loan, Japanese shall be engaged as chief engineers and railway accountants.

4. Receipts of the above railways shall be deposited with Japanese Banks.

5. Both the Sinmintun-Mukden and Kirin-Changchuen Railways to be constructed by China shall be connected with the South Manchurian Railway.

#### Mining in Manchuria.

Next in importance to railways is the privilege of mining. It is not only advantageous for its annual profit but also for its being a basis of a sphere of influence.

<sup>2</sup>  
The Fushan Collieries<sup>2</sup> situated about 22 miles east of Mukden and contain deposits from 80 to 175 feet in thickness. The storage is estimated to be at least 800 million tons. Seven pits are now in operation with the total daily output of 3,000 tons.

The Yentai coal fields exist north of Liaoyang and can be reached in an hour by rail from the Yentai station. The daily output is 100 tons.

The annual estimate of coal production of these two mines is as follows:

- 
1. The term begins with the date of opening, i.e. Oct. 20, 1912.
  2. Japan Year Book, 1913, p. 688; 1914, p. 716.





Date	Output tons	Net profit yen
1911	1,382,000	2,628,000
1912	1,513,000	1,846,000
1913	2,281,000	1,800,000

In order to facilitate transportation, two branches of railways have been built to connect these coal fields with the South Manchurian Railway. The Fushan branch consists of 38.9 miles and the Yentai branch, 9.7 miles. Both branches opened in 1908.

#### Russia in Manchuria after the War of 1904.

It is true that Japan gains influence in Manchuria at the expense of Russia. But did Russia's influence disappear with the war? Did Russia ever forget the war? In fact Russia's influence is still felt in two-thirds of Manchuria, including the entire northern watershed, embracing the region drained by the Sungari and its tributaries; she controls jointly with Manchuria the mighty Amur; she has a fortified sea port in Vladivostok connected with Siberia and European Russia by the Manchurian and the trans-Siberian Railways; her hold in Mongolia is not materially weakened; while behind it and beyond it always stands her massive empire. Her position in Manchuria is defined by the Portsmouth treaty and, in an international sense, is identical with Japan. The northern railways are policed by Russian guards. Russian garrisons are found at Tsitsihar, Mongar, Aigun, Sangsan, Urga and several other places near to Manchuria. Although her grip is not so tight as the Japanese, her immigration into Manchuria, after the war up to 1908, has been trebled, being 180,000 in 1906, 400,000 in 1907, and 500,000 in 1908. She owns 8 flour mills in Manchuria with a total daily output of 47,000 poods. Everything has been done for



military provision and unexpected emergencies. Certainly she has not forgotten the humiliating result of the war of 1904, too not to note Japan has neglected that Russia has not abandoned her secret plan of revanche. So with Mr. Millard, "A greater Japan will mean the knell of Russia's Eastern Policy; a greater Russia in the East may make impossible Japan's eventual supremacy there. Between the two a greater China will solve the question itself by maintaining international equilibrium in the Far East."<sup>2</sup>

---

1. Russian flour mills in Manchuria are given as follows:

Location.	Daily output in poods.
Sungari	10,000
Zozulinsky	7,000
Manchu	6,000
Druzen	2,000
Riff	3,000
Nowalski	7,000
Turkim	10,000
Klondineff	1,000





## CHAPTER IV.

### K W A N G C H O W W A N .

Kwang Chow Wan ( or according to the French official spelling, Kouang-tcheou-wan ), the French leased territory, is situated at a distance of 230 miles of Hong Kong, W. S. W. on the coast of the province of Kwangtung<sup>1</sup>. It comprises an area of 190 square miles. This includes the two islands which were<sup>2</sup> added to it in 1899. The treaty was signed between China and France on 27th May, 1898, and is materially the same as the German treaty of Kiao Chow.

#### Government of Kwang Chow Wan.

Following the convention of delimitation signed on the 16th of November, 1899, between Marshal Sou and Admiral Courrejolles, the territory of Kwang Chow Wan was placed under the authority of the Governor-General of Indo-China<sup>4</sup>. The territory has been divided into three administrative circumscriptions, but the Chinese communal organization is maintained.<sup>5</sup>

---

1. Directory and Chronicle for China, 1914, pp.1082.

2. Stateman's Year Book, 1906, pp.877.

3. Hertsht's, China Treaties, pp.328.

4. French Indo China consists of five states: Anam, Cambodia Cochin China, Tonkin and Laos. The whole country is under a Governor General, assisted by a Secretary General and each of the states has its head a functionary, called Resident Superior except in Cochin China which has a governor at its head.

5. Stateman's Year Book, 1914, pp.851.



### Fort Bayard as a Port

The chief place of the territory is the town of Fort Bayard, which is at the entrance of the interior port on the right bank of the river Ma Teché. It is the commercial centre of this leased territory. Kwang Chow Wan is understood to be a free port in which all commercial operations can be carried on without paying any duty. "Governor Dourner has expressed the hope that the absence of customs duties and the entire liberty allowed to ships of commerce will tend to make it soon one of the principal entrepôts of the Far East."<sup>1</sup> Commerce has already largely extended. In 1912, the imports and exports of Kwang Chow Wan was estimated to be 8,412,875 Piasters,<sup>2</sup> or \$3,600,000.

### Kwang Chow Wan as a Naval Base.

The two islands of Naochow and Tanghai placed at the entrance of the bay make an excellent closed port into which entrance is by two narrow passages. Mr. Morse says, "The Bay has a good anchorage, but with a difficult entrance through sandy banks."<sup>3</sup> Barracks are built on river Ma Teché. On the whole, Kwang Chow Wan is the least valuable naval base among the five.

### Finance in Kwang Chow Wan.

There is no adequate statement to be found about finance in Kwang Chow Wan. The local budget for 1914 balanced at 323,000 Piasters or \$150,000 which is about equal to the annual expenditure in Wei Hai Wei.

- 
1. Reinsch, Colonial Administration, pp245-246.
  2. Statesman's Year Book, 1914, pp 849. The equivalent of a Piaster is about 24d.
  3. Morse, The Trade and Administration of China, pp 268.





Railway Concessions in Connection with the Lease  
of Kwang Chow Wan.

With the concession of the right to railway construction secured in the treaty of lease, the French government entrusted the work to the Société de Construction des Chemins de Fer Indo Chinois. The total length of the line from Laokai to Yunnan is about 287 miles. It opened to traffic in 1910. This line is connected with the Laokai-Haipheng railway which, consisting of 248 miles, will connect Yunnanfu with the sea and will possibly make Haipheng the terminal of South Western China. France conquered Tonking with the fixed idea of gaining ready commercial and political access to China throughout Yunnan province. This is why she exerts her best energy<sup>1</sup> in constructing the Tonking Yunnanfu railway. Her engineers have strenuously<sup>u</sup> determined to overcome the 1600 meter ascent from the level of the Red River to the Yunnan plateau while her financiers incurred a total cost of \$32,216,000 or an average cost<sup>2</sup> of something over \$60,000 per mile. The fact that the French are increasing their army in Indo China aroused another great suspicion in the mind of the Chinese Foreign Office as to their object and the Office has negotiated with the French Minister for a definite agreement that neither China nor France should station troops along the Yunnan Tonking Railway and that the Chinese section should be guarded by the Chinese police only. The Office in 1909 wired to the Viceroy of Yunnan to train the soldiers in his province in case of emergency. So here again are plan<sup>ted</sup> the seeds for future trouble to China over a commercial concession originally

---

1. Far Eastern Review, 1909, Nov. No., pp 303.  
2. Ibid pp 304.



given up to "cement the ties of friendship" with France.

Some Characteristics in Kwang Chow Wan.

It was Bismark who described the colonial affairs of the three countries in the epigram, "England has colonies and colonists; Germany has colonists but no colonies; France has colonies but no colonists." This is the case in Kwang Chow Wan as well as in Indo China. In spite of the reforms of M. Doumer, which have accomplished so much in the direction of improving the administration of Indo China and Kwang Chow Wan, these places are still sparsely colonized.





## CHAPTER V.

### W E I H A I W E I.

Wei Hai Wei, the English leased territory, which lies in latitude 37.30 N, longitude 122.10 E. is situated on the North Eastern coast of the Shangtung peninsula. It comprises the Island of Luikung, all the islands in the Bay of Wei Hai Wei, and a belt of land ten English miles wide along the entire coast line. The total area is 285 square miles exclusive of a neutral zone of 1,505 square miles. It was leased to Great Britain by China by a convention signed at Peking on the 1st<sup>of</sup> July, 1898.<sup>1</sup>

From its geographical position, Mr Denby<sup>2</sup> says, "Wei Hai Wei<sup>3</sup> is an excellent harbor, much larger and better than Port Arthur. It is exactly at the mouth of the Gulf of Pechili, and is the nearest point on the Gulf to Korea. It commands the Gulf. It is about 40 miles from Chefoo and 80 miles from Kiao Chow. It is supposed here that it will be a second or northern Hong Kong."<sup>4</sup>

Viewed from its strategical importance, Charles Beresford says, " I consider it an immense acquisition to our naval strength in the China seas, as with but a comparatively small expenditure of

---

1. Hertslets, China Treaties, vol.1, p. 122.

2. Presidential Messages and Foreign Relations of the U. S. 1898, p. 190.

3. This is, however, not yet shown in fact.

4. It is still to be realized.



money it could be made a most efficient and powerful naval base.<sup>1</sup> Again, he says, " At this moment there is no place in Chinese waters where battleships can anchor so close to the shore."<sup>2</sup> However, Beresford admits that at present (1898), Wei Hai Wei is in no way to be compared in power to Port Arthur.

Commercially, it is an easy place for shipping to make. But as far as railway facilities<sup>are</sup> concerned, it is unlikely that Wei Hai Wei can ever become a great mercantile port.

### The occupation of Wei Hai Wei.<sup>3</sup>

As Great Britain failed to persuade Russia in dropping her demands for the lease of Port Arthur and Talienwan, and as Russia's<sup>lease</sup> of these ports together with Germany's lease of Kiao Chow were thought to be detrimental to British commercial safety in North China, she definitely resolved, on March 25, 1898, to demand speedily the lease of Wei Hai Wei. On April 3,<sup>the</sup> British fleet in Hong Kong was ordered to proceed to the Gulf of Peichili. It must be understood that Wei Hai Wei at that time was still in the hands of the Japanese who occupied it during the Chino-Japanese war. It was Japan's ambition, if possible to retain her control over it. But owing to the aggressive policy of the Russians and Germans in the North China Sea, Japan could not stand it without an alliance. The fact that Japan did not<sup>a</sup> rise any objection against the English lease of Wei Hai Wei was because she had another object in view and that object was to have a defensive alliance with Great Britain. So the transfer of the territory went smoothly and was then put under the

1. Charles Beresford, The Break-up of China, p. 71.

2. Ibid, p. 72.

3. Japan Weekly Mail, 1898,





control of the admiralty of Great Britain.

1  
Government of Wei Hai Wei.

The administration of Wei Hai Wei was first undertaken by the Senior Naval Officer on the station in 1898. In the following year it was transferred to a military and civil commissioner appointed by the War Office. On the 1st of January, 1901, the territory was handed over to the control of the Colonial Office, and a civil Commissioner assumed the administration of the government in 1902.

The Civil Commissioner is appointed under the King's Sign Manual and Signet. By the Wei Hai Wei Order in Council of the 24th of July, 1901, he is empowered to make ordinances, subject to the approval of the Secretary of State for the colonies, for the administration of the territory, and provision is made for a High Court in which all jurisdiction, civil and criminal, is vested, subject to an appeal to the Supreme Court of Hong Kong, and for District Magistrates' Courts.

The village communities are administered through their headmen in accordance with Chinese customs.

2  
Treaty Provision .

The treaty regulating the territory of Wei Hai Wei, signed 1st July, 1898, specified that within the limits (295 sq.miles), Great Britain has the sole jurisdiction, except that within the walled city Chinese officials may exercise such jurisdiction as is not inconsistent with naval and military requirements for the defense of the territory leased.

- 
1. Colonial Office List, 1914, pp 401; Directory & Chronicle for China pp, 829.
  2. Hertslets, China Treaties, vol.1, pp.122.



With respect to the 1,505 sq. miles mutual zone, Chinese administration will not be interfered with, but no troops other than Chinese or British shall be allowed therein.

The first article provides that Great Britain shall lease this territory for so long a period as Port Arthur shall remain in the possession of Russia. But though Port Arthur was surrendered to the Japanese on January 1st, 1905, Great Britain has not<sup>indicated</sup> any intention to withdraw from Wei Hai Wei and an agreement was made between China and Great Britain whereby the latter is allowed to retain her lease for 25 years from the date of the signing of the Russian Treaty.

#### Port Edward.

The chief port of the territory is named Port Edward in commemoration of the coronation of King Edward VII. This is a free port. Trade is carried on by junks and steamers. In 1912,<sup>1</sup> 632 steamers of 524,927 tons entered the port, exclusive of admiralty colliers and government transports; 452 were British and 180<sup>were</sup> small Japanese and Chinese coasting boats. It is not destined to be a mercantile port.

#### Wei Hai Wei as a Naval Base.<sup>2</sup>

Although both Denby and Beresford have spoken highly of Wei Hai Wei as a naval base yet the station has not been fortified. This is partly because of the Anglo-Japanese Alliance which, as was thought, renders fortification unnecessary and partly because Britain would not entail the heavy expenditure which the work requires.

---

1. Stateman's Year Book, 1914, pp. 180.  
 2. Ibid<sup>5</sup> 1914, pp. 179.





It is now used as a flying naval base and as a depot, exercising ground and san<sup>i</sup>torium for the "China Squadron", which consists of 50 ships, and which<sup>^</sup> assembles at Wei Hai Wei during the summer. No troops are stationed in this territory, the Chinese regiment having been disbanded. Military work cost Great Britain 130,000 L in 1899. Since then this expenditure has not been made.

#### A Study of Finance on Wei Hai Wei.

The revenue of Wei Hai Wei is drawn from land tax, road tax, junk registration, shipping dues, wine monopoly, fines and miscellaneous sources. The revenue covers a little more than half of the expenditure; so the territory is not yet self-supporting. The deficit is made<sup>up</sup> by grant which is very small as compared with Germany's appropriation in KiaoChow and Japan's appropriation in Kwantung. The annual revenue, expenditure, and grant are as follows:

Date	Revenue mix.dol.	Expenditure mix.dol.	Grant L
1901-02			11,250
1902-03			12,000
1903-04	58,364	166,921	9,000
1904-05	90,415	162,282	6,000
1905-06	105,934	146,120	3,000
1906-07	76,777	160,973	4,000
1907-08	80,331	173,341	10,000
1908-09	83,277	168,740	10,000
1909-10	83,499	145,687	4,000
1910-11	75,353	145,028	5,000
1911-12	14,673	153,591	6,000
1912-13	79,582	146,147	6,000
1913-14	72,436		8,300

---

Figures of the years from 1903-13 are drawn from the Colonial Office List, 1914, p.401; from 1901-03, are drawn from Statesman's Year Book, 1906, p. 195 ; from 1913-14, are drawn from Statesman's Year Book, 1914, p. 179.



### Mining and Railway.

Mining and railway enterprise are absent here. The territory contains gold, and a mining company has been working steadily for two years but has now ceased <sup>1</sup> operation. During the early German occupation of Kiao Chow, Great Britain consented by diplomatic agreement with Germany not to ask <sup>for</sup> any railway concession in the province of Shangtung in order to avoid complications. This executive agreement has been observed.

### The Importance of Wei Hai Wei to Great Britain.

It is well known that Great Britain has the greatest amount of trade with China. Before the lease of Wei Hai Wei, the three principal ports along the northern coast of China were Chefoo, Tientsin, and Newchwang. According to the statistics of 1897, <sup>2</sup> out of a total tonnage of 4,042,928 which cleared at the three ports, 2,265,658 tons were of British ships. The total trade of the three ports in 1897 was <sup>3</sup> 103,469,664 hk.tls., more than half of which was conducted by the British. British trade with Manchuria alone was then over 3,000,000 £. The distribution of tonnage entered and cleared at the three ports in the Gulf of Peichili in 1897 was as follows: <sup>4</sup>

Ports	Total tonnage of shipping entered and cleared	British tonnage entered and cleared
Chefoo	2,385,301	1,327,559
Newchwang	730,964	363,922
Tientsin	1,326,663	574,177
Total	<u>4,042,928</u>	<u>2,265,658</u>

1. Statesman's Year Book, 1906, p.195.

2. Commercial Relations of the U. S., 1898 and 1899, vol. 1, under Chefoo, Newchwang and Tientsin.

3. The approximate American equivalent of hk.tls. in 1897 is \$.75.

4. Charles Beresford, The Break up of China, Appendix, p. 484.





Such was the British trade in the Gulf of Peichili in 1897, a few months before the occupation of Wei Hai Wei. Without a naval station in the same water, British commerce would be at the mercy of Russia and of Germany. Wei Hai Wei is important to Great Britain because it is thought to be the only safeguard for her commerce in northern China.

### The Future of Wei Hai Wei.

Great Britain justified her lease of this territory for the protection of commerce against the Russian lease of Kwantung and the German lease of Kiao Chow. Now both Kwantung and Kiao Chow have successively fallen into the hand<sup>s</sup> of Japan which is in alliance <sup>with</sup> Great Britain. Great Britain has abandoned her plan of the fortification of Wei Hai Wei because she thinks that the Anglo-Japanese alliance will render such a plan unnecessary. In theory, such a situation seems to be true; it seems that after Japan has got hold of Kwantung and Kiao Chow, Great Britain will no longer be in need of Wei Hai Wei. According to such a point of view, it will naturally follow that Great Britain will restore it to China as soon as the leased term expires. But is this the real situation? Have Great Britain's enemies in the China Sea disappeared with the fall of Kwamtung and the fall of Kiao Chow? Is the Japanese alliance real and permanent? The destiny of Wei Hai Wei will depend to a large extent on these questions.

In every respect, Japan bears similarity with Great Britain. Both Japan and Great Britain are island countries. Both Japan and Great Britain are naval powers. Both Japan and Great Britain are manufacturing countries. Both countries have the same demands, same supplies, same ambitions, and same objects of contention. Their



blending together into an alliance is only a matter of temporary convenience. Without going into the situation too deeply, let us review their struggle for commercial supremacy in China.

In 1909, British cotton goods trade with China covered <sup>1</sup>ten-sixteenths of China's total importation of cotton goods, but decreased a great deal in 1910 and 1912. In spite of a little increase in the amount of this trade in 1913 its ratio to China's total importation of cotton goods in 1913 was nine to sixteen. During the same period, Japan's export of cotton goods to China has increased from the ratio of one to sixteen to five to sixteen in 1913. Owing to the cheap labor in Japan and the shorter distance between Japan and China, Japan's advantage over Great Britain will become more marked as time goes on. This cotton goods trade is only typical; commercial competition between Japan and Great Britain is found in nearly every branch of trade. Mr Weale says, "After having won the Russian war largely through Anglo-American moral support and Anglo-American gold, Japan intends to make profit and take payment, not from Russia, which remained unbeaten, but from the neutral world of Eastern Asia. In this contest Japan will be the decisive factor along the vast Far Eastern coast lines, unless there is a naval combination of all Anglo-Saxondom."<sup>2</sup> Many English people

---

1. Under the name of cotton goods, the writer only includes shift-ings, sheetings, drills, jeans & T-cloths.

The cotton goods trade of Japan & Great Britain is as follows:

Date	Great Britain pieces	Japan pieces
1909	10,691,448	1,396,297
1910	6,511,126	2,399,693
1911	11,317,630	2,832,625
1912	9,618,386	3,043,747
1913	11,705,426	5,716,594

2. Weale, The Coming Struggle in Eastern Asia, pp.519.





have expressed such an ~~opinion~~<sup>English</sup>. At any rate, even those who have not gone so far as to show distrust in Japan, have doubt nevertheless in the so-called Anglo-Japanese alliance which long ago lost the support of <sup>English</sup> public opinion. Great Britain leased Wei Hai Wei to counterbalance the influence of Russia and Germany. She is glad to see that both Russia and Germany have lost their influence in the Gulf of Peichili, but, contrary to her expectation, she has found a subtler competitor instead. It is not improbable that Wei Hai Wei will play a prominent part in the future Anglo-Japanese relations.

So far as the trade in the North China Sea is concerned according to the statistics of 1912 and 1911, Great Britain still controls 11,000,000 £ of trade in Tien Tsin, Chefoo, Kiao Chow, and Niu-Chuang, or about 40% of the total trade of the four ports. TienTsin<sup>1</sup> in 1911 had a foreign net import of 7,098,782 £ out of which 1,108,164 were British. Niu Chuang in 1912, had a total import of 1,280,721 £ out of which 453,518 £ came from Britain.<sup>2</sup> KiaoChow in 1911 had a total trade of 6,995,866 £, of which more than 60% of the cargo for Europe went in British bottoms.<sup>3</sup> Chefoo in 1912, had a total import of 672,353 £ of which, 276,615 £ was of British origin.<sup>4</sup> In a word, British trade in North China is still surpassed by none,<sup>5</sup> and the safety of her trade in such places will depend to a large extent on Wei Hai Wei. This very fact will control the destiny of Wei Hai Wei at least for some years to come.

---

1. House of Commons Sessional Papers 1912-13, vol. 94, No. 4902

2. Ibid " 4901

3. Ibid vol, 95, " 4935

4. Ibid , 1913 " 5071

5. An exception is found in Dalny (Dairen) where according to 1912, British imports (including HongKong) represents only 6% while the Japanese imports into the said port is as high as 71½%.



## CHAPTER VI.

### K O W L O O N .

Kowloon, another English leased territory, is situated around the ceded territory, Hong Kong. The extent of this territory is about 366 square miles, namely 286 sq.miles on the mainland and 90<sup>1</sup> sq. miles on the islands. It comprises the territory behind Kowloon peninsula up to a line drawn from Mirs Bay to Deep Bay and the adjacent islands, including Lautao. It was leased to Great Britain on 9th June, 1898.<sup>2</sup>

This territory is both important in itself and in its relation to Hong Kong. As to the value of itself, the Mirs Bay, the Deep Bay the Castle Peak Bay and the Tolo Bay are good naval base<sup>s</sup>. The railway which passes through the mainland renders it a means of communication. With respect to its relation with Hong Kong, it furnishes the same <sup>type of</sup> protection to Hong Kong that the skull does to the brain. It is Hong Kong's back ground; it is Hong Kong's safeguard. In order to have a clear understanding of the importance of Kowloon, we must first have a real idea of how important Hong Kong is.

In speaking of the geographical situation of Hong Kong, one of

- 
1. Directory and Chronicle for China, 1914, P.1108.
  2. Herslets, China Treaties, vol.1, P.120.





the resolutions of the Hong Kong General Chamber of Commerce declares that Hong Kong, "lying half-way between India and Japan, on the very borders of one of the most populous provinces of China, and at the mouth of one of the greatest systems of inland navigation in Asia, is of supreme importance to British trade."

With respect to commerce, the same Chamber says, "the trade of Hong Kong, now (1898) roughly estimated at some fifty millions sterling per annum, may, when the river ways of South China are opened and the railway to the Yangtze Valley becomes an accomplished fact, reasonably be expected to expand immensely." Taking<sup>ng</sup> the world shipping for comparison, Hong Kong today ranks as one of the greatest<sup>1</sup> shipping centers in the world. The exact figures are:

Tonnage entered and cleared

New York (1912)	13,673,763 tons
Antwerp (1911)	13,330,699 "
Hong Kong (1912)	12,100,365 "
Hamburg (1911)	11,830,949 "
Rotterdam (1911)	11,052,186 "
Shanghai (1911)	9,429,996 "
London (1911)	9,004,974 "

<sup>2</sup>

According to the statistics of 1913, British imports from Hong Kong amount to 676,293 £, while her exports to Hong Kong mount as high as 4,358,902 £. This constitutes half of the total trade in Hong Kong.

Such has been the commercial condition of Hong Kong. The Chamber of Commerce at Hong Kong is not far from right when it declares,

---

1. Statistical Abstract, 1912, P. 815.  
2. Stateman's Year Book, 1914, P. 118.



"However important the trade of the United Kingdom with central China, it must not be forgotten that the key to British influence and prestige in the Far East reposes in the colony of Hong Kong."

In regard to the sphere of influence, Hong Kong also furnishes a good starting point. The second resolution of the Hong Kong General Chamber of Commerce summarizes<sup>the situation</sup> as follows:

"Hong Kong through a line of railway, connecting first with Canton, and eventually with Hankow and her sister cities Wuchang and Hanyang, is in a position to directly tap the very heart of commercial China."

It is the situation of Hong Kong that makes Kowloon important; it is the situation of Hong Kong that led Britain to lease Kowloon instead of some other place.

#### Government.

This new territory is administered by means of village communities organized, and under the direct control of the government of Hong Kong<sup>1</sup>. The headquarters of the administration are at Taipohu on an arm of Mirs Bay. A District Officer, who performs police and magist<sup>e</sup>rial duties, resides there. The southern district is in charge<sup>2</sup> of an assistant District Officer. In the treaty, a stipulation was included that within the walled city of Kowloon the Chinese offi-

---

1. The administration of Hong Kong is in the hands of a governor, aided by an Executive Council, composed of 6 official and 2 non-official members; besides the governor. The legislative council is presided over by the governor, and is composed of 7 officials and 6 non-official members, three of whom are nominated by the Crown on the recommendation of the Governor, (two being usually Chinese), one is nominated by the Justices of the Peace from their body and one by the Chamber of Commerce. The English Common Law forms the basis of the legal system, modified by Colonial Ordinances. See Colonial Office List, 1914, P.211.

2. Hertslet's China Treaties, vol.1, P. 120.





cials then stationed there should continue to exercise jurisdiction except so far as might be inconsistent with the military requirements for the defense of Hong Kong, but in 1899 the Chinese officials ceased to exercise jurisdiction within Kowloon city, which thereafter, by an Order in Council, was incorporated in the leased territory and became subject to British rule.<sup>1</sup>

### <sup>2</sup> Treaty Provisions.

The convention between China and Great Britain respecting the lease of Kowloon, signed at Peking 9th June, 1898, is similar to the Wei Hai Wei treaty except in two respects. In the first place, the term of the lease of Kowloon is ninety-nine years instead of twenty-five years as <sup>the</sup> is <sub>^</sub> case of Wei Hai Wei. In the second place, we notice that there is a provision regarding railway construction in the Kowloon treaty, which is absent in that of Wei Hai Wei. It stipulates that "when hereafter China constructs a railway to the boundary of the Kowloon territory under British control, arrangements shall be discussed." This provision is exceedingly significant because through its application, the commercial value of Hong Kong has been safeguarded. The relation between the Kowloon Canton Railway will command our immediate attention.

### The Kowloon Canton Railway.

Why was the provision<sup>for</sup> of this railway inserted in the Kowloon Convention? In 1897 when the Canton-Hankow section of the trunk line to Peking was projected and a concession granted the American-China Development Company, it was proposed to construct a deep water

---

1. Colonial Office List, 1914, P.208.  
2. Herslets, China Treaties, P.120.



harbor in the Chinese territory near Canton, the terminus. Hong Kong at once realised that if such a port were established and no effort made to secure the benefits of railway connection with trunk line, her existence as a distributing centre for south China would be threatened. So great effort has been directed by British merchants and statesman in securing the concession to build the line connecting Kowloon and Canton which, when completed, would provide the needed railway connection with the trunk line and thus preserve to Hong Kong at least her share of the trade even should the deep water harbor contemplated at Canton be realised. After securing the concession, the British and Chinese corporation was organized and after some delay, finally in 1905, the corporation secured a loan of £ 1,500,000 from the Hong Kong Government and started its work. The line is in two sections. The first section between Canton and Shunchun (under the Chinese control, but financed by the British Government), consisting of  $89\frac{1}{2}$  miles, is on Chinese territory. The section between Shunchun and Kowloon consisting of  $22\frac{1}{2}$  miles is on the leased territory. This line, after the Canton Hankow railway (700 m.) has been completed, will not only have more immediate communication with the Yangtze Valley and Peking but will also furnish a serious check on the growth of Canton.

---

1. The Far Eastern Review, 1909, Nov. No., P. 335.





## CHAPTER VII.

### C O N C L U S I O N S .

In the preceding chapters, the writer has attempted to give the actual facts concerning the territories leased by China to foreign powers. It now remains to compare the five leased territories, to discuss the legal effects of the leases upon Chinese sovereignty over the territories, and to present some general conclusions respecting the very intricate problems involved in this unique international situation.

#### Comparison of the Five Territories.

In regard to the area of the leased territories proper, Kwantung stands first with an area of 1256 square miles; next in order, follow Kowloon with an area of 366 square miles, Wei Hai Wei, with 285 square miles, Kiao Chow, with 193 square miles, and finally Kwang Chow Wan, with 190 square miles. Considered from the standpoint of present possessors, Japan controls the largest area, Kwantung and Kiao Chow with a total area of 1,449 square miles; Great Britain coming next has Wei Hai Wei and Kowloon with a total area of 651 square miles, and France coming last holds Kwan Chow Wan, 190 square miles.

With respect to the neutral zone, definite data is not obtainable for Kwantung. Both Kowloon and Kwan Chow Wan are devoid of neutral zones. Attaching to Kiao Chow, there is a neutral zone



of 2,700 square miles and to Wei Hai Wei, one of 1,505 square miles.

In regard to population, the only place where the displacement of the Chinese by the lessee is felt is Kwantung. This may soon happen in Kiao Chow. There is nothing of this sort to be seen in Kwan Chow Wan, Kowloom, or Wei Hai Wei.

So far as method of acquisition is concerned, after Germany had started the occupation of Kiao Chow, all follow<sup>ed</sup> one another<sup>and</sup> based their claims on the future protection of their own interests. Germany's motive<sup>and</sup> appearance as well as her action in acquiring Kiao Chow had been very open; every man knew her plan. Russia and France worked together; their words were sweet but their motives and actions, otherwise. However, men might still be able to tell their aims from their actions. There remained Great Britain whose words and actions all appeared to be courteous. An average man finds it very hard to tell whether Great Britain was true to the professions she made. At first she sided with China to protest Russia's action but she changed her course, joined in the spoliation and at last got two leases which were in total area greater than any other territory except that gotten by the Russians. It might be claimed that Great Britain<sup>was</sup> justified in leasing Wei Hai Wei because it was necessary for her to protect her trade<sup>north</sup> in China against the Russians. But for what purpose was she persisting in demanding the lease of Kowloon? Some one says, "The lease of Kowloon was for the protection of Hong Kong." But against whom was the protection sought? Great Britain leased Wei Hai Wei for so long a period as Russia should retain her control over Kwantung. Why then should she like to retain Wei Hai Wei in spite of Russia's loss of Kwantung? With the recent Japanese demand





for the extension of the lease of Kwantung to 99 years, will Great Britain . . . herself take a similar step in regard to Wei Hai Wei ? If Great Britain was sincere in her profession respecting the welfare of China, some concrete action to that end will be acceptable. Finally Japan's <sup>u</sup>acq<sup>u</sup>isition of Kwantung from Russia and Kiao Chow from Germany were prompted by her long cherished delusion of Continentalism; of course she hoped to justify her action by saying that such measures guaranteed the peace of the Far East.

In considering the comparative commercial importance of these territories, Kowloon is prominent as the protector of Hong Kong, one of the world's greatest shipping centers. Dairen stands foremost in the rate of commercial growth. Kiao Chow is still the greatest among the leased territories in the amount of trade. Neither Wei Hai Wei nor Kwan Chow Wan have yet shown great commercial value.

Viewed from their naval value, Port Arthur in Kwantung is still the pioneer and surpassed by none in Chinese waters. Kiao Chow must be regarded as next in importance for naval operations. To the writer's mind, the natural position of Kowloon is far superior to any of the above mentioned. This is but a personal opinion and it has by no means been proved by facts. Wei Hai Wei occupies a good position but it has not been fortified. Kwang Chow Wan is generally recognized as the least valuable naval base so far as the leased territories are concerned.

Finally let us compare briefly the sphere of influence which each of the nations has planned to create in connection with these territories. In the creation of spheres of influence, railways are to be regarded as the chief agency. So a comparison of the rail-



way system of each of them will give us both<sup>a</sup> general and<sup>a</sup> definite idea of the situation. In this discussion, we must exclude Wei Hai Wei which has been incapable of developing a sphere of influence on account of the Anglo-German agreement. In connection with Kowloon, there is a railway line of 89 miles between Canton and the Kowloon frontier financed and managed by the English capitalists and engineers. Although this line is essential to the existence of Hong Kong yet as an agency for forming a sphere of influence, it is not very marked because the control is still in the hands of the Chinese government. A greater agency is found in the French line ( 248 miles ), between Laokai and Yunnanfu in connection with the lease of Kwan Chow Wan. It is not until we come to Kiao Chow that we find something definite. The 310 miles of railway had been financed, controlled and managed by the Germans. Some definite German influence had been created along the railway lines. The sphere of influence remains in spite of the Japanese capture because Japan, as a victor, claims to inherit all rights and privileges which the Germans have enjoyed. The situation here has been well worked out but it is still in a milder stage. For the most conspicuous and most highly developed example we must turn to the sphere of influence in connection with Kwantung. Here the Japanese control a network of railways with a total trackage of 710 miles. The privilege of guarding the railway further strengthens her grip.

#### Legal Effects on the Sovereignty of China.

In spite of all differences between these leased territories, there are some fundamental similarities in the conditions under which all of them are leased. They are all leased by treaties





between the lessor and the lessee. This is even true in the case of <sup>a</sup>transfer. They are all leased for a definite period of time. In all cases, China abstains from exercising <sup>is the</sup> rights of administration <sup>the</sup> during the term of <sup>a</sup>lease. In all cases, China's men-of-war still have the right of station but they depend on the good will of the lessee. In all cases, the lessee has been given the right to build barracks and fortifications. Except Wei Hai Wei, all of them give some chance or other for the development of spheres of influence and interest. Such are the general conditions under which the leases are made. What then are the legal effects upon the sovereignty of China over these territories?

In private law, the lease implies that property continues to belong to the lessor, while the lessee has the beneficial enjoyment of it for the time and <sup>under</sup> the conditions fixed in the contract. So when property is granted in this manner, the original grantor retains a proprietary right which runs concurrently with the grantees' right of enjoyment. " Even when the lease is in perpetuity, that is an emphyteusis, the emperor Zeno decided that the lessor remains the dominus. Are we then to say that China still is sovereign over Kwantung, Kiao Chow, Wei Hai Wei, Kowloon and Kwan Chow Wan, though Japan, Great Britain, and France exercise, during the term of lease, important rights in them? In answering this question we must first distinguish de jure sovereignty from de facto sovereignty.

From the de jure point of view, China exercises sovereignty over these territories not only <sup>after</sup> the expiration of the leases but also during the life of the leases. So with the Japanese capture of Kwantung and the ending of the Russian lease, China's con-



sent was secured before the transfer had any legal force. And that consent was the evidence of China's sovereignty over it. The same thing is found in the recent transfer of Kiao Chow. Legally speaking China's grant of rights of administration to the lessee is nothing but <sup>a</sup>delegation of powers, and the treaty of lease is only a matter of self limitation. From the standpoint of international law China is entitled to all rights pertaining to an owner of these territories on the conditions which she herself has set.

But owing to ~~the~~ relative weakness of China this sovereignty only exists in a vague manner. As we come to the practical aspect, <sup>note</sup> we <sup>^</sup>that ~~her~~ de facto sovereignty has been impaired. For example, all the lessees have acquired <sup>the</sup> <sup>^</sup>power of an unrestricted use of the soil for the erection of barracks, fortresses and other purposes as well warlike as pacific. Under such conditions, what then will be the relation between other powers and China with respect to their belligerent rights if they should be at war with China or with the lessee? If China were at war with other powers while the lessee remains as neutral, can the leased territory be regarded as a part of belligerent zone? If one lessee were at war with other powers while China remains neutral, ~~can~~ the leased territory be regarded as a part of the neutral zone? In theory they ought to be but in practice they are otherwise. The last case has been tried <sup>out</sup> <sup>^</sup>both in the Russo-Japanese War and the Germano-Japanese War. Both of these occasions show conclusively that for all purposes of war and neutrality, leased territories formed a part of the domain of the lessee. In both cases either China's neutrality had been lost if she had de facto sovereignty over her leased territories or her de facto sovereignty had been impaired if her neutrality was regarded as unviolated. We may agree with Lawrence





that in fact, the attempt to separate property or sovereignty on the one hand from possession on the other, by the use of phrases taken from the law of lease or usufruct, is <sup>in</sup> its very nature deceptive. What China has really leased out is not only the territories but also the sovereignty thereover.

### Final Solution of the Leased Territories.

What then is the final solution of the five leased territories? What shall the Chinese, the owners, do with the leases over which they are still supposed to have nominal proprietorship? Shall the Chinese finally waive their right over these territories as Sweden did over Wismar? Or shall they finally grant their leases in perpetuity as Zanzibar did in her dominion? Or shall the Chinese demand their restoration when the leases expire?

Attention is once more called to the fact that these territories are important front gates of China. China's gates must be kept by the Chinese. It is a great national crime for one nation to encroach upon another nation but it is a still greater national crime if a nation exposes itself as an international prey; such a nation not only endangers its own existence but also furnishes an incentive for international conflicts. Aliens, as gatekeepers for China, expose her to the avarice and ambition of aggressive and predatory peoples and therefore constitute a menace both to China and to the general peace and welfare of the world. For China and for the World, the Chinese have the supreme duty and mission of working toward the restoration of the territories they have leased. Restoration or downfall are the only alternatives the Chinese have to choose.

Restoration depends on unity of purpose, thought, and action



for its realization. To determine the possibility of future success we must first read the past. Many centuries ago, China built her " Great Wall ", a wall which stretches from the farthest eastern coast to the farthest western boundary of China Proper, a wall which still stands and will ever stand with veritable pride, and a wall which defended her territory and people for generations. This reminds China of the possibility of building a " New Great Wall " to meet a new crisis. This " New Great Wall " will no longer be built with stone and brick, but will be built with four hundred million living bodies and souls <sup>united</sup> in one purpose. Such a " New Great Wall " is essential to the restoration of old territories; such a " New Great Wall " is essential to the protection of New China; such a " New Great Wall " is essential to the prevention of international conflicts and the preservation of international peace in the Far East.

However, the restoration of the leased territories must not involve an anti-foreign movement. China must show herself broad-minded, unprejudiced and friendly toward all nations, seeking nothing but her own national integrity and the preservation of peace. China must recognize an obligation to humanity as well as to herself. Her national aims and policies will ultimately justify themselves only as they conserve the interests of mankind in general as well as China in particular.

In a word, Chinese territory and Chinese sovereignty should be maintained intact, and it lies with the present generation to recover the leased territories and restore Chinese sovereignty therein. Neutral nations should help to bring about this restoration because only by this act can the peace of the Far East be





guaranteed, and the " Open Door Policy " be made effective. Interested nations should restore these territories to China because only by this act they can avoid conflict both with China and with one another. China must see to it and the world must understand that China has millions of square miles open for intercommunication but not one inch for occupation. Both must recognize that China's doors are to be widely open to welcome religion, art, science, and commerce but not a single door is to be opened for foreign political domination.



## APPENDIX A.

### B I B L I O G R A P H Y

#### General.

Cobbett, P. Cases and Opinions on International Law. Part 1. London. 1909.

Collection of Diplomatic Information (in Chinese). Shanghai.

Colquhoun, A. R. The Mastery of the Pacific. New York. 1904.

Commercial Relations of the United States. Washington, D. C. 1899-1912.

Directory and Chronicle for China, Japan, Straits Settlements, Indo-China, Philip<sup>p</sup>ines, etc. Hong Kong. 1914.

Douglas, Robert K., Europe and the Far East. Cambridge. 1904.

The Far Eastern Review. Nov. 1909. Shanghai. 1909.

Hart, A. B. The Obvious Orient. New York. 1911.

Hertslet, G. E. P., China Treaties. Vol. 1, Vol. 2. London. 1908.

Ireland, Alleyne. China and the Powers. Boston. 1902.

Ireland, A. The Far Eastern Tropics. Boston and New York. 1905.

The Japan Weekly Mail. Yokohama. 1897-1899.

Keltie, J. Scott. The Stateman's Year Book. London. 1899-1914.

Krausse, A. The Far East; its history and its question. London. 1903.

Krausse, A. The Story of the Chinese Crisis. New York. 1900.

Lawrence, T. J. The Principles of International Law. New York. 1910.

Michael, J. F. McCarthy. The Coming Power. London. 1905.



## General

Monthly Consular and Trade Reports of the United States. Washington, D. C. 1899-1913.

Morris, H. C. The History of Colonization. 2 vols. New York. 1900.

Morse, H. B. The Trade and Administration of China. New York. 1913.

Oppenheim, L. International Law. Vol.1. New York. 1905.

Perrinjaquit, J. Des Cessions Temporaires des Territoires. Paris. 1904.

Pinon, R. La Lutte Pour le Pacifique. Paris. 1912.

Presidential Message and Foreign Relations. Washington, D. C. 1901.

Reinsch, P. S. Colonial Administration New York. 1905.

Reinsch, P. S. Colonial Government. New York. 1911.

Reinsch, P. S. World Politics. New York. 1900.

Tardieu, F. France and the Alliances. New York. 1908.

Weale, Putman. The Truce in the East and its Aftermath. London. 1907.

Westlake, K. C. International Law. Part 1. Cambridge. 1910.

Woodhead, H. G. and Bell, H. T. M. The China Year Book. New York. 1912-1914.

#### Kiao Chow.

Chèradame, André. La Colonisation et les Colonies Allemandes. Paris. 1905.

Gareis, Karl. Deutsches Kolonialrecht. Giessen. 1902.

Gracey, W. T. German Government's Afforestation Work. Washington. D. C. 1910.

Great Britain Foreign Office Reports. Nos. 549, 2758, 2790, 2983, 3296, 3519, 4508, 4682, 4935.



- Grotewold, von Chr. Unser Kolonialweser. Stuttgart. 1908.
- Journal of the American Asiatic Association. New York. 1915.
- Keller, A. G. Colonization. New York. 1908.
- Loeh, Isidore. The German Colonial Fiscal System.
- Mirbt, C. Mission und Kolonial Politik. Mohs. 1910.
- Outlook. November 11, 1914. New York. 1914.
- Seidel, A. Deutschlands Kolonien. Berlin. 1909.
- Tonnelat, E. L'Expansion Allemande hors D'Europe. Paris. 1908.
- Verhandlungen des Deutschen Reichstags. Berlin. 1899-1913.

#### Kwantung.

- Deutsches Handels Archiv. 1912. Part 2. Berlin. 1912.
- Great Britain Foreign Office Reports. Nos. 2832, 2999, 3144, 3348, 3681, 4206, 4372, 4504, 4789, 5023.
- Krausse, A. Russia in Asia. New York. 1899.
- Lawton, Lancelot. The Empire of the East. Vol. 2. Boston.
- Millard, T. F. America and the Far Eastern Questions. New York. 1909.
- Takenos, Y. The Japan Year Book. Tokyo. 1908-1914.
- Weale, Putman. The coming Struggle in Eastern Asia. London. 1909.

#### Kwan Chow Wan.

- Chambre des Députés: Budgets Locaux des Colonies. Paris. 1899-1914.
- Cunningham, A. The French in Tonkin and South China. London. 1902.
- Great Britain Foreign Office Reports. Nos. 2838, 2966, 3181, 3378, 3528, 3676, 3707, 3732, 4377, 4478, 4596, 4806, 4854,





4883.

Wei Hai Wei and Kowloon.

Colonial Office List. London. 1911-1914.

House of Commons Sessional Papers: Numerical List of Command

Papers: Colonial Reports of Great Britain. London. 1900-1913.



APPENDIX B.

T A B L E O F C U R R E N C Y V A L U E S .

Chinese haikwan tael (hk.tl.), fluctuate .....	\$ .70
English pound sterling (L) .....	\$4.94
French franc .....	\$ .19
German mark .....	\$ .23
Japanese yen .....	\$ .49
French piaster .....	\$ .48
Russian rubble .....	\$ .51



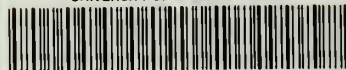








UNIVERSITY OF ILLINOIS-URBANA



3 0112 079096498